

REPORT OF THE AUDITOR-GENERAL ON KWALE GIRLS HIGH SCHOOL FOR THE YEAR ENDED 30 JUNE, 2021 – KWALE COUNTY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale Girls High School – Kwale County set out on pages 12 to 28, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2021, and the statement of receipts and payments and statement of cashflow and statement for a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kwale Girls High School - Kwale County as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Basic Education Act, 2013.

Basis for Qualified Opinion

1. Errors in the Financial Statements

The financial statements presented for audit had the following errors;

- i. The dates of signing the statement of receipts and payments and the statement of financial assets and financial liabilities are missing;
- ii. The statement of budgeted versus actual amounts, the progress of follow-up of auditor recommendations section and summary of fixed assets register were not included in the financial statements.
- iii. The background information under Key School Information and Management indicate that the school had one thousand one hundred and eighty (1180) students as at 30 June, 2021 while the Summary Report of Performance of the school indicates an enrolment of one thousand five hundred and sixteen (1516) students resulting to an unemployed difference of three hundred and thirty-six (336).
- iv. The table of development projects being carried out by the School on page 9 does not indicate the progress/percentage of completion of the projects.
- v. The financial statements were improperly paged.

In the circumstances, the financial statements do not comply with the presentation guidelines issued by the Public Sector Accounting Standards Board (PSASB).

2. Unsupported Financial Statements Balances

2.1 Cash and Cash Equivalents

The statement of financial assets and financial liabilities reflects cash and cash equivalents balance of Kshs.3,393,332 as disclosed in Notes 8 and 9 to the financial statements. However, cashbooks for five (5) bank accounts were not maintained and therefore not presented for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,393,332 could not be confirmed.

2.2 Boarding and School Fund Payments

The statement of receipts and payments reflects boarding and school fund payments of Kshs.18,544,634 as disclosed in Note 7 to the financial statements. However, payment vouchers and supporting documentation for payments totalling to Kshs.1,040,508 were not provide for audit.

In the circumstances, the accuracy and completeness of boarding and school fund payments of Kshs.1,040,508 could not be confirmed.

2.3 Accounts Payables

The statement of financial assets and financial liabilities reflect accounts payable of Kshs.8,222,382 as disclosed in Note 12 to the financial statements. However, the balance was not supported by schedules and procurement documents, evaluation minutes, contract agreements and inspection and acceptance certificates.

In the circumstances, the accuracy and completeness of the accounts payables of Kshs.8,222,382 could not be confirmed.

3. Variances in Accounts Receivables

The statement of financial assets and financial liabilities reflects accounts receivables - fees arrears balance of Kshs.10,644,927 as disclosed in Note 11 to the financial statements. However, review of the fees payments schedules revealed fees arrears balance of Kshs.5,020,356 as at 30 June, 2021 resulting to an unexplained variance of Kshs.5,624,571.

In the circumstances, the accuracy and completeness of the accounts receivables of Kshs.10,644,927 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kwale Girls High School Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unsupported and Stalled Project

Physical inspection in the Month of June, 2023 and interviews with Management revealed that the construction of two (2) classrooms funded by the World Bank and the Ministry of Education under SEQUIP program had stalled at the foundation level. Further, the school Management did not provide for audit, contract agreement, procurement documents and project progress report for audit. As a result, project's details on expected completion date, progress and cost involved could not be confirmed.

In the circumstances, the value for money of the project could not be confirmed.

2. Students Omitted From NEMIS

The statement of receipts and payments and Notes 1 and 2 to the financial statements reflect Kshs.1,364,212 and Kshs.8,553,302 being capitation grants for tuition, and capitation grants for operations and infrastructure respectively. However, analysis of the data in National Education Management Information System (NEMIS) platform revealed that three hundred and eighty-two (382) students were not in the system.

In the circumstances, significant number of learners at the school may have been denied funding for tuition, operations and textbooks.

3. Non-Compliance with Procurement Law

The statement of receipts and payments reflects boarding and school payments of Kshs.18,544,634. However, the School procured goods amounting to Kshs.9,714,591 but did not prepare a procurement plan. This is contrary to Sections 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan. In addition, there were no ad hoc committees for inspection and acceptance. This is contrary to Section 48(3) of the Public Procurement and Asset Disposal Act, 2015 which states and that inspection and acceptance committee shall immediately after the delivery of the goods, works or services (a) inspect and where necessary, test the goods received; (b) inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract; and; (c) accept or reject, on behalf of the procuring entity, the delivered goods, works or services.

In the circumstances, Management was in breach of the law.

4. Lack of Value for Money on Accounting Information System

The school acquired an accounting information system during the financial year 2018-2019 for book keeping and processing accounting records. However, review of the system revealed that the school inputs only the fees revenue from parents. However, the system does not capture expenditure transactions. As a result, the school has not leveraged on the system to keep and maintain proper accounting records.

In the circumstances, value for money from the procured accounting system could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Report on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

The School does not have a Risk Management Policy, including Fraud Management Policy to guide the Management and the Board of Management in dealing with fraud instances or falsification of records in the event of their occurrence.

In the circumstances, the effectiveness of risk management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the School's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intentions to terminate the School or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in-compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the School's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the School's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the School to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the School to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 October, 2023