

REPORT OF THE AUDITOR-GENERAL ON ST. JOHN'S TEACHERS TRAINING COLLEGE, KILIMAMBOGO FOR THE YEAR ENDED 30 JUNE, 2023

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 St. John's Teachers Training College, Kilimambogo set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of cash flows, statement of changes in net assets, and the statement of comparison of budget and actual amounts for the year then ended, and 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 St. John's Teachers Training College, Kilimambogo

as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Basic Education Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment amounting to Kshs.1,174,390,045 as further disclosed in Note 20 to the financial statements. However, the value of property, plant and equipment had not been disclosed at cost or valuation. This is contrary to Paragraph 42 which states that an entity shall choose either the cost model or the revaluation model as its accounting policy, and shall apply that policy to an entire class of property, plant, and equipment. The Management explained that the property, plant and equipment amount was estimated but no valuation had been carried out to determine the actual value of the assets.

In the circumstance, the accuracy of the property, plant and equipment amounting to Kshs.1,174,390,045 could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions amounting to Kshs.4,943,213 as further disclosed in Note 18 to the financial statements. The amount includes Kshs.3,009,629 which has remained outstanding for over 3 years. However, Management has not taken any measures to recover these long outstanding receivable.

In the circumstance, the accuracy, completeness and recoverability of receivables from exchange transactions amounting to Kshs.3,009,629 could not be confirmed.

3. Unsupported Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables from exchange transactions amounting to Kshs.4,216,714 as further disclosed in Note 23 to the financial statements. The amount includes payables totalling to Kshs.2,235,933 which have remained outstanding for over 3 years amounting. Further, supporting schedules in support these payables were not provided.

In addition, the College does not have a credit policy.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions amounting to Kshs.2,235,933 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the St. John's Teachers Training College Kilimambogo Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final rendering of services – fees from students budget and actual on comparable basis amounting to Kshs.23,120,300 and Kshs.19,994,724 respectively resulting to an underfunding amounting to Kshs.3,125,576 or 14% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.46,315,467 and Kshs.52,698,632 respectively resulting to over expenditure of Kshs.6,383,165 or 14% of the budget. The over expenditure was in respect to use of goods and services, repairs and maintenance and capital expenditure.

The underfunding and over expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved some of the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board.

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. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment and intangible assets amounting to Kshs.1,174,390,046 and Kshs.2,190,397 respectively. Review of records revealed the following anomalies:

1.1 Lack of Ownership Documents

The property, plant and equipment amounting to Kshs.1,174,390,046 includes the value of 115 acres of land valued at Kshs.805,000,000 as disclosed in Note 20 to the financial statements. However, the ownership documents for the 115 acres of land were not provided for audit.

In the circumstance, the ownership of land valued at Kshs.805,000,000 could not be confirmed

1.2 Failure to Tag Institution Assets

Review of the fixed asset register and physical verification carried out revealed that all the assets valued at Kshs.1,174,390,046 had not tagged for ease of identification and movement.

In the circumstance, the effectiveness of asset management was in doubt.

2. Officers Earning Less Than a Third Basic Pay

Review of payroll revealed that fourteen (14) employees were paid a net salary that was less than a third (1/3) of their basic pay. This is contrary to Section 19(3) of the Employment Act, 2007, which states that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry'.

In the circumstance, Management was in breach of the Employment Act, 2007.

3. Irregular Payment of Honoraria to Members of the Board of Management

The statement of financial performance reflects board/ council expenses totalling to Kshs.970,431. The amount includes honoraria paid to members of the Board of Management. However, the members were not entitled to honoraria. Further, board/ council expenses totalling to Kshs.970,431 was paid in cash, leaving no audit trail on how much was paid to each member or who benefited from the payment.

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

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 comply, 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 THE 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

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

1. Lack of Internal Audit Function

The College did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness through in-depth reviews of management operations and internal controls in the College.

The College may experience difficulties in financial accountability and risk assessment since the internal control systems may not be reliable.

2. Lack of Risk Management Policy Framework and Disaster Recovery Plan

During the year under review, it was observed that the College did not have a risk management policy and disaster recovery plan. In absence the above approved policies, the processes and guidelines on how to mitigate operational, legal and financial risks as outlined may not be achieved.

The College may lack a blue-print for identifying, preventing and mitigating against disasters and ensuring business processes resume with minimal interruptions.

3. Lack of Information Communication Technology Policy

A review of the ICT environment showed that there was no approved ICT Policy, approved IT Strategic Committee and Information Technology Continuity Plan in place to enable the Institute to manage business processes for the delivery of services to the public in an effective and efficient manner. Failure to have in place ICT policy and automate the processing environment fully and effectively to manage the IT operations might lead to data confidentiality, accuracy, reliability, integrity and availability being compromised which may affect the effectiveness of the operations of the College.

In the circumstances, the security and reliability of the College data including the management information system could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual 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 control, risk management and overall governance.

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

Board of Management is responsible for overseeing the College'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 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 control 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 control 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 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 control.
- 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 College'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 College 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 College 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 control 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.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 February, 2024