

AUDIT REPORT OF THE AUDITOR-GENERAL ON GARISSA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Garissa University College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2017, and the statement of receipts and payments, statement of changes in equity, statement of cash flows and 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Signing of the Financial Statements

The financial statements submitted and presented by the University College were not complete as Part IV of the financial statements was signed on behalf of the Council chairman by the University College Principal. The principal signed the financial statements as the term of the Council ended in August, 2017 and a new Council was not gazetted. However, there was no authority for the same from the Ministry of Education being the Parent Ministry in guiding the University on who is to sign the financial statements when the University Council is not operational though the principal of the University College is an ex officio member of the Council as per Section 36(1) (e) of the Universities Act, No. 42 of 2012. Further, it is not clear how the strategic issues of the University are being handled in the absence of the University Council.

In the circumstance, the financial statements presented could not be confirmed as the correct financial statements for the year ended 30 June 2017.

2. Proposed 750 Students' Hostel - Garissa University College

A contract for proposed construction of 750 number student hostel at a contract sum of Kshs.427,103,222 was awarded to a local construction company on 17 January, 2014 with the approval of the University Council. The contract agreement was made on 24 April, 2014 but did not indicate the start date and the completion and taking over date.

According to the project implementation committee meeting held on 17 November, 2014 indicated the commencement date as 2 may, 2014 completion date as January, 2015 and

contract period being 8 months. However, a review of the contract records and audit inspection of the same project carried out on 28 September, 2017 revealed the following observations: -

- (i) Minutes for the second meeting held on 12 March, 2015, revealed that 1st contract extension period of nine (9) months was awarded to the contractor thus making the completion date to be 3 October, 2015.
- (ii) 2nd contract extension period of 12 months was given vide minutes for the sixth meeting held on 19 November, 2015, extending completion date to 31 October, 2016.

As at the time of audit physical verification conducted on 28 September 2017 there was no documentary evidence to show that the completion period was extended beyond 31 October, 2016 and it was also observed that the contractor was not on site. The works completed was about 43% and payments made was Kshs. 251,400,282 (58.86%) of the contract sum of Kshs. 427,103,222 leaving a balance of Kshs. 175,702,940.

According to the Project Manager Financial Appraisal No.2 dated 22 May 2017 percentage variation to final contract sum (excluding contractual claims) was 18.00 % leaving financial variation of 7.00% to reach the maximum percentage allowable by Regulations of 25% and therefore going by the above analyses the project cannot be completed by the contract sum plus the percentage variations of 25% to final contract sum.

The University management did not come up with other measures to avoid the project being abandoned and make it successful.

In view of the foregoing, it was not possible to confirm the propriety and value for money of the project expenditure of Kshs. 251,400,282 and the opportunity cost by the delayed completion of the hostel project.

3. Irregular Procurement of Perimeter Wall and Security Systems Installations

Review of project file relating to tender No. GUC/01/2016-2017 for the proposed construction of perimeter wall and security system installations revealed that the University awarded contract to Rocho Construction Company Ltd at a cost of Kshs. 123,265,532 through restricted tendering method. A review of the expenditure disclosed that payments totaling Kshs. 81,111,111 was made during the year under review. However,

- i. The university planned to use open tender to procure the project as per the approved procurement plan for financial year 2016/2017 dated 26/7/2016 but instead restricted tendering method was used. Further, there was no special circumstance to justify the use of the choice of procurement contrary to the method prioritized by law and indicated in the approved procurement plan.
- ii. There was no performance guarantee submitted by the contractors and the perimeter wall costed Kshs. 60,428,300 as per Bill No.2 of the priced bill of quantities. Further, the contractor was paid Kshs. 81,111,111 as at 30 June, 2017

for the perimeter wall which Kshs.20,682,811 over and above the cost of the wall and no reasons has been given for exceeding the cost.

- iii. Report of clerk of works on status of project supporting payment certificate 04 of 7/6/2017 was not dated and did not indicate the name of the issuing officer. Further, it was signed on behalf of the clerks of work and there was no authority to sign on behalf the same report was not detailed and it did not show contract Commencing date and due date of completion of the project and % of completion.
- iv. Statement of payment on account certificates 01 – 04 used to make payments did not disclose valuation of work done by abstracting such items as wholly or partially completed from the bill of quantities or by taking detailed measurement of completed work priced out at rates proportionate to the contract amount, instead the statement for payment on account showed permanent work done and material on site aggregated.
- v. Physical verification done on 20 September 2017 revealed minor cracks to blaster and the project is ongoing 10 months after the contract agreement was signed on 7 November 2016 with no evidence of implementing the other activities included in the tender.

Consequently, the propriety and value for money of the expenditure of Kshs.81,111,111 could not be confirmed as at 30 June 2017.

4. Delayed Implementation of ERP System

During the financial year under review, a review of expenditure and other records maintained at the Garissa University College disclosed that a contract of Kshs.16,894,603 was awarded to implement Microsoft dynamics Navision ERP 2017. However, there was a delay in implementation. Scrutiny of the Tender documents and the contract agreements revealed that according to the contract agreement made on 22/02/2017 “Commencement Date” shall mean the date on which this contract takes effect and shall be the date when this contract is executed by both parties. In this case it was supposed to be 22/02/2017 and as per the project charter document (implementation of Microsoft dynamics Navision 2017 targets and duration for achievement was to take 53 number of days from the time the contract was executed by both parties the project should have been completed by 16/04/2017. However, ERP Implementation status by the contractor dated 08/09/2017 the accounts payable, Library modules, Go- Live and project commissioning were pending and no explanation has been given for the delays.

Delaying the implementation of the project may cause increase in variation costs and may also lead to abandoning of the project.

Consequently, it has not been possible to confirm if the projects will be completed on time and the University will get value for money from the project.

5. Payment for Staff Group Life Assurance

During the year under review payment of Kshs 1,325,948.88 was made to Liaison group (I.B) Ltd for annual staff premiums. However, there were no tender documents as well as contract agreement in support of the expenditure.

Consequently, the propriety and validity of the expenditure could not be ascertained as at 30 June 2017.

6. Procurement of Sanitation and Pest Control Services

The University paid Kshs 1,026,020.00 for contracted pest control services during the period under review. However, the following anomalies were noted:-

- a) The Service was procured directly and condition to warrant use of this mode procurement was not availed alongside council minute for audit verification.
- b) Original contract agreement to establish the scope of work was not availed for audit review.
- c) Scrutiny of payment vouchers established that Rentokil initial was being paid for offering services such as pest treatment, washroom services and supply of sanitary bins. However, there was no documentary evidence establish whether this was within the scope of the original agreement.
- d) Payments were being made basically on service provider's estimate, which were submitted by Rentokil, computation of payments were not pegged on square meters of areas sprayed against pesticide.
- e) Payment were also made without inspection and acceptance certificates of the services rendered.

Under the circumstance, the propriety of the expenditure could not be confirmed.

7. Budget & Budgetary Process

A review of the budget process of Garissa University College with the objective of confirming whether proper and timely budget was prepared in compliance with relevant laws and regulations was conducted in the month of September, 2017. However, the following observations were made: -

- a) There was no University College Management Board minutes' discussion on budget made available for audit.
- b) Council approved the budget late on 26/7/2017, beyond the 30th June Deadline as per PFMA. No proper explanation was given the same.
- c) Development budget was underfunded to the tune of Kshs. 50,000,000.

This may affect implementation of projects and the realizing the University strategic plan.

8. Information, Communication Technology (ICT) Environment

8.1 Lack of ICT Governance Instruments

A review of the ICT department for the Garissa University College revealed that the institution has not yet developed or implemented key ICT documents like Disaster Recovery Plans (DRP), ICT Policy, ICT Strategic Plan. There was no Service Level Agreement between the university and the vendor produced for audit verification for the newly purchased ERP System and therefore Audit could not analyze the same agreement.

8.2 Improper Antivirus Update Management

A check on the desktop computer of Payroll Accountant for reports extraction revealed that the antivirus software installed had obsolete databases and had already expired. The institution was at risk of exposure to many forms of attack like Trojans, worms and malware which can lead to loss or leakage of critical information and many hours spent to clean up the network.

8.3 Use of Unlicensed Software

A check on the desktop computer of Payroll Accountant for reports extraction revealed that the Microsoft office installed is not licensed. Using a pirated software may cause you severe repercussion by legal authorities. Copyright infringement is a crime, which attracts huge penalty if caught.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Corporation's or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Garissa University College in accordance with ISSAI 30 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 August 2018