

**THE NATIONAL ASSEMBLY
PAPERS LAID**

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*Approved
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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT- FIFTH SESSION

**PARLIAMENT
OF KENYA
LIBRARY**

THE NATIONAL ASSEMBLY

**THE ELEVENTH REPORT OF THE
PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION**

**ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF STATE CORPORATIONS (VARIOUS UNIVERSITIES)
FOR THE FINANCIAL YEARS 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023,
2023/2024 & 2024/2025**

**DIRECTORATE OF AUDIT, APPROPRIATIONS
GENERAL-PURPOSE COMMITTEES
THE NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI**



APRIL 2026



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LIST OF ABBREVIATIONS/ACRONYMS

CS	-	Cabinet Secretary
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
GoK	-	Government of Kenya
HELB	-	Higher Education Loans Board
IAS	-	International Accounting Standards
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
KRA	-	KENYA Revenue Authority
MOE	-	Ministry of Education
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, No. 18 of 2012
PPAD	-	Public Procurement and Asset Disposal Act, No. 33 of 2015
PPE	-	Property, Plant and Equipment

CHAIRPERSON'S FOREWORD

The Public Investments Committee on Governance and Education (hereinafter referred to as “the Committee” is one of the six ‘Watchdog Committees’ in the thirteenth Parliament that examines reports of the Auditor-General laid before the National Assembly to ensure probity, efficiency, and effectiveness in the use of public funds. The Committee is established pursuant to National Assembly Standing Order 206 to examine the working of public investments based on their audited reports and accounts. This ensures the implementation of *Article 229(8)* of the Constitution of Kenya, 2010 on reports laid before the House by the Auditor-General. The Committee was hived off the hitherto singular Public Investments Committee, alongside two others, to examine audit reports efficiently.

In the examination of the reports, the Committee determined to go back three financial years, after analysis showed that matters beyond that time had either been overtaken by events or those that were outstanding and needed address had been recurring in subsequent audits.

The Committee resolved to examine the reports of the Auditor General based on the regional domicile of each agency and the nature of operations of the agency, to enable an organized schedule of hearings, countrywide. This report is the sixth from the committee and covers state agencies domiciled within the Western region.

In examining the accounts of the Auditor General, the Committee invited accounting officers in each of the State Corporations under review to adduce evidence before it.

This report contains observations, findings and recommendations arising from the examination of reports of the Auditor-General of Seven (7) Universities and the Technical University of Mombasa Enterprise Limited (TUMEL) for different financial years running up to the latest, 2024/2025. The report is structured as follows:

- (i) general observations arising from recurring and cross-cutting audit queries;
- (ii) recommendations to each of the above;
- (iii) audit queries identified by the Auditor General in the audit reports of each state corporation;

The 11th Report of the Public Investment Committee on Governance & Education

- (iv) management responses to each of the queries;
- (v) Committee observation/ findings on each query; and
- (vi) recommendations of the Committee to each query raised.

In this report, the Committee makes policy recommendations that it deems will cure financial and audit challenges and at the same time recommends specific actions against specific officers who may have acted contrary to the law. All this is geared towards ensuring prudent use of public resources and holding all persons who have misappropriated public funds accountable, in accordance with Article 226 (5) of the Constitution.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to enable it to perform its mandate. The Committee further extends its appreciation to the Office of the Auditor-General for the services it offered to the Committee during the entire period, as well as those Accounting Officers who complied with audit timelines and provided satisfactory responses to queries raised.

I also extend my appreciation to my fellow Members of the Committee and the secretariat, whose immense contributions and dedication to duty has enabled the Committee to examine the audit queries and produce this report.

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present the sixth Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for Seven (7) Universities and the Technical University of Mombasa Enterprise Limited (TUMEL)



HON. WANAMI WAMBOKA, CBS, MP
CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND
EDUCATION



EXECUTIVE SUMMARY

The 11th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of Seven (7) Universities and the Technical University of Mombasa Enterprise Limited (TUMEL).

In its examination and scrutiny of the audited financial statements of the various State Corporations, the Committee's primary approach was to elicit background information as to why particular courses of financial and/or management actions were or were not taken. This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, Cap, 412B, the Public Finance Management Act, Cap. 412A and the attendant Regulations, the Public Procurement and Asset Disposal Act, Cap. 412 C and the attendant Regulations, the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) relevant for commercial state corporations.

The preface of the report contains preliminaries on the establishment of the Committee; its membership and secretariat; mandate; and the guiding principles governing the Committee in the discharge of its mandate.

Part two of the report contains the Committee's general observations/findings on cross-cutting issues and its recommendations.

Part three of the report contains reports of the specific State Corporations whose financial statements were examined; the financial years considered for each state corporation; the specific audit reservations raised by the Auditor-General in each financial year; management response to each audit reservation raised by the Auditor-General; Committee observation/ findings after consideration of the respective audit reservation; and finally, Committee recommendation on each audit query.



1.0 PREFACE

1.1 Establishment and Mandate of the Committee

1. The Public Investments Committee on Governance and Education is established under the National Assembly Standing Order (S.O.) 206 and is responsible for the examination of the working of public investments based on their audited reports and accounts. It is mandated to-

- (i) examine the reports and accounts of the public investments;
- (ii) examine the reports, if any, of the Auditor-General on the public investments; and
- (iii) examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

2. The Committee, in considering the Audited accounts of State Corporations, is guided by the Constitution of Kenya and the following statutes and codes/regulations in undertaking its mandate: -

a) Chapter Twelve of the Constitution on Public Finance

Part I-Principles of Public Finance

Article 201 sets out the principles of public finance, which includes: -


- openness and accountability, including public participation in financial matters (Article **201(a)**); use of public money in a prudent and responsible way (Article **201(d)**); and
- responsible financial management and clear fiscal reporting (Article **201(e)**).

Part 6-Control of Public Money

Article 226 deals with the accounts and audit of public entities and provides that:

- the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article 226(2)); and
- the holder of a public office, including a political office, who directs or approves the use of public funds contrary to law or instructions, is personally liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not (Article 226(5)); and

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Article 227 deals with the procurement of public goods and services. Article 227 (1) in particular provides that “when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive, and cost-effective”.

b) the Public Finance Management Act, Cap. 412A

Section 68 sets out the responsibilities of accounting officers for national government entities, Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used a lawful, authorized, effective, efficient, economical and transparent manner (section 68(1)).

Section 72 focuses on the accounting officers' responsibility to manage the assets and liabilities of national government entities.

Apart from the above-named laws, the Committee was further guided by the following: -

- (i) the Parliamentary Powers and Privileges Act, Cap.6;
- (ii) the Public Finance Management (National Government) Regulations, 2015;
- (iii) the Public Procurement and Asset Disposal Act, Cap.412C;
- (iv) the Public Procurement and Asset Disposal Regulations, 2020;
- (v) the State Corporations Act, Cap. 446;
- (vi) the Public Audit Act, Cap. 412B;
- (vii) The Fair Administrative Action Act, Cap.7L;
- (viii) the Accountants Act, Cap.531; and
- (ix) the National Assembly Standing Orders

1.2 Committee Membership

3. The Committee comprises of the following fifteen (15) Members;

Chairperson

The Hon. Wanami Wamboka, CBS, M.P.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon Ong'ondo Boyd Were, MP

Kasipul Constituency

ODM Party

The Hon Alfa Miruka, CBS, MP

Bomachoge Chache Constituency

UDA Party

The Hon. (Amb.) Francis Sigei, EBS, MP

Sotik Constituency

UDA Party

The Hon. Bonaya Gollo, MP

Isiolo County

Jubilee Party

The Hon. Mark Mwenje, CBS, MP.

Embakasi West Constituency

Jubilee Party

The Hon. Shadrack Mwiti, MP.

Imenti South Constituency

Jubilee Party

The Hon. Thuddeus Nzambia, MP.

Kilome Constituency

WDM Party

The Hon. Moses Kirima, MP

Imenti Central Constituency

UDA Party

The Hon. Wamacukuru Githua, CBS, MP.

Kabete Constituency

UDA Party

The Hon. Daniel Karitho, MP

Igembe Central Constituency

Jubilee Party

The Hon. Maurice K. Bisau, MP.

Kiminini Constituency

DAP-K Party

The Hon. Chiforomodo Munga, MP

Lungalunga Constituency

UDM Party

The Hon. Rebecca Tonkei, MP.

Narok County

UDA Party

The Hon. Joseph Tonui, MP

Kuresoi South Constituency

UDA Party

1.3 Committee Secretariat

4. The secretariat facilitating the Committee comprises the following technical staff;

Ms. Ruth Mwihaki
Clerk Assistant I/ Lead Clerk

Mr. Enock Manwa
Clerk Assistant III

Ms. Winny Otieno
Clerk Assistant III

Ms. Noel Amutabi
Legal Counsel II

Ms. Eunice Liavuli
Research Officer III

Mr. Edwin Machuki
Fiscal Analyst II

Ms. Georgina Okoth
Research Officer III

Mr. Peter Mutethia
Audio Officer

Mr. Stephen Otieno
Sergeant at Arms

Ms. Mary Kamande
Protocol Officer

Mr. Derrick Kathurima
Media Relations Officer

1.4 Committee proceedings

5. To produce this report, the Committee held twelve (12) sittings during which it examined the Reports of the Auditor General on the financial statements of the following seven (7) institutions:

Name of Institution	Financial Year
1) Kibabii University College	2021/2022 to 2024/2025
2) Rongo University	2021/2022 to 2024/2025
3) Pwani University	2018/2019 to 2024/2025
4) Kisii University	2018/2019 - 2024/2025
5) Egerton University	2024/2025
6) Tom Mboya University	2021/2022 - 2024/2025;and
7) Technical University of Mombasa Enterprise Limited (TUMEL)	2021/2022 - 2024/2025

6. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee heard and received both oral and written evidence from Vice Chancellors, Chief Principals and Principals (Accounting Officers) of various State Corporations and other relevant witnesses.

7. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report on each of the State Corporations examined.

8. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments made in the governance and education sectors as a whole.

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

9. The Committee notes that, unlike in previous reports where institutions faced numerous challenges relating to financial statements and audit matters, the institutions have generally improved in the latest financial statements, having become more sensitized on audit matters and audit processes.
10. In consideration of reports of the universities, the Committee encountered cross-cutting and at times, persistent matters that informed the general observations and recommendations. Specific observations and recommendations are, however, made in relation to the respective agency.

2.1 Poor Accounting Standards

11. The Committee observed that some accounting officers failed to comply with various provisions of the **Public Finance Management (PFM) Act, Cap. 412A** and the **Public Audit Act, Cap.412**. The non-compliance led to various breaches such as inaccuracies in financial statements, failure to reconcile accounts, and consistent failure to address prior year audit matters.

The Committee recommends that the Accounting Officer should comply with the provisions of Sections 81 (3) of the PFM Act, 2012 which provides that – The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

2.2 Late submission of supporting documentation

12. Some accounting officers failed to submit supporting documentation to the Auditor-General on time (during the audit cycle) as required under section 68 of the PFM Act. This invariably led to the Committee discussing matters that should ordinarily not feature in the final report, some as mundane as accounts not balancing.

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. Going forward, the committee will not allow submission of documents to the OAG outside the audit cycle without justification. Accounting Officers who, without justifiable reason, contravene the

provisions of Section 62 of the Public Audit Act shall face the penalties prescribed under Section 63 of the Public Audit Act.

2.3 Unsecured/ untitled land holdings

13. The Committee noted several instances where land owned by various institutions remained unsecured and lacked proper title documentation. The absence of legal ownership records exposes these institutions to risks, including land disputes, encroachment, and potential loss of property.

The committee recommends that the Ministry of Lands, and the relevant government agencies, should fast-track the titling and registration of all institutional land holdings to ensure legal ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

2.4 Failure to adhere to gender, ethnicity and regional balance

14. This report highlights concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. This is contrary Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one-third of its staff from the same ethnic community.

15. Despite explanations from Accounting Officers that the lack of diversity was historical and prevalent because of the geographical location, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable. The committee however, notes and appreciates the efforts made by some institutions to comply with this law progressively.

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap. 7N.

Further, the National Cohesion and Integration Commission, together with the Inspectorate of State Corporations, conducts bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

2.5 Non-compliance with Affirmative Action on Employment

16. The committee observed that all the institutions in this report were in breach of Section 21(2)(a) of the Persons with Disabilities Act, 2025 which states that where an employer has at least twenty (20) employees, reserve at least five (5%) per cent direct employment opportunities for persons with disabilities to secure employment.

The Committee recommends that Accounting Officers take deliberate and proactive steps to address the matter by collaborating with the Council for Persons with Disabilities to identify, recruit, and include persons with disabilities within their staff establishments and must also ensure the establishments are accessible to people living with disabilities.

2.6 Delay of disbursements of capitation to the Institutions


17. The Committee observed that most of the institutions were struggling financially due to the failure of the National to disburse funds on time. The chronic underfunding has led to the accumulation of debts that are stifling the growth of the institutions. The various Accounting Officers gave an account of the numerous challenges that have been on an upsurge due to the underfunding resulting from the delay in disbursements.

The Committee recommends that the Ministry of Education intervene to address the financial challenges facing these institutions by ensuring the timely disbursement of capitation, taking into account their revenue streams, and collaborating with the National Treasury to oversee the prompt release of funds.

Further, the committee recommends that the Institutions be encouraged to develop other income-generating activities to increase their cash flow, so as not to rely solely on government funding.

2.7 Unsustainable Wage Bill

18. The Committee observed that the wage bill in all the institutions examined is high, which is contrary to Regulation 25(1) (b) of the Public Finance Management (National Government)



Regulations, 2015 which states that staff costs of a public entity should not exceed 35% of its total revenue.

19. The Committee also observed that the government has signed three (3) National CBA's, resulting in increased salaries and although funds for arrears were provided, funds for employers' pension contributions on the arrears and funds for implementation for future years were not provided. The Implementation of the National CBA- Government Directives by the Salaries and Remuneration Commission has therefore led to a high wage bill contrary to the PFM Act. Additionally, the Universities are also required to operate within the staffing threshold as per the requirement by the Commission for University Education, Universities Standards and Guidelines, 2014.

Committee Recommendation

The Committee recommends that universities review and rationalize their staff establishments by capping staffing levels in line with their financial capacities. Further, the Commission for University Education should reassess the student–lecturer ratios and develop a formula that accommodates fluctuations in staffing levels relative to student enrollment.

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF VARIOUS UNIVERSITIES

3.0 KIBABII UNIVERSITY COLLEGE

20. Professor Isaac Ipara Odeo, the Vice Chancellor, accompanied by;

- i. Prof. Joshua Ogendo- DVC CASA
- ii. Ruth Mitalo - Registrar AHR
- iii. CPA Dr. Benjamin Oduori- Finance Officer
- iv. Prof. Joshua Ondura-DVC ASA
- v. Dr. James Odhiambo- CSCMO
- vi. Jacqueline Wanjala- Senior Legal Officer

Appeared before the Committee to adduce evidence on the audited accounts of Kibabii University, on 23rd April 2025 and 19th February 2026

3.1 **Audited Financial statements for the financial year 2021/2022 (Qualified Opinion)**

3.1.1 Un-Supported Work- in-Progress

21. The statement of financial position reflects a balance of Kshs. 2,246,142,540 in respect of property, plant and equipment which, as disclosed in Note 24 to the financial statements, includes a balance of Kshs. 212,365,887 relating to work-in-progress which further includes additions during the year of Kshs. 80,035,250. However, no documentary evidence was provided to support the balance of Kshs. 80, 035,250, including interim certificates.
22. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 2,246,142,540 as at 30th June 2022 could not be confirmed.

Management Response

23. Management submitted that the figure of Kshs. 80,035,250 was supported by the schedule and Payment Vouchers with relevant backups, including certificates of completion and Schedule supporting the additions to WIP, respectively. This had been presented for audit verification together with supporting documentation which included copies of the interim certificates and payment vouchers through the response to the draft audit report.

Committee observation

24. The committee observed that management provided the payment vouchers and the interim certificates and therefore, the matter is adequately addressed.

3.1.2 Material Uncertainty Related to Going Concern

25. The statement of Financial Performance reflects a deficit for the year of Kshs. 57,942,929 (2020/2021 deficit: 185,893,054). As a result, revenue reserves reduced from Kshs. 137,786,115 in 2020/2021 to Kshs. 123,901,423 in the year under review.

26. This is an indication that if adequate strategies are not put in place to reverse the loss-making trend, the University is likely to face financial challenges in the near future.

Management Response

27. Management submitted that the University was adversely affected by the covid-19 pandemic during the financial year 2020-2021 where semester dates were distorted, affecting the revenues drastically. The effects of this were still being felt in the financial year 2021/2022.

28. It is however, worth noting that the University has put in place strategies to reverse this trend including the introduction of blended teaching and learning. As a result, the University recorded an improved performance in the year 2021/2022 by reducing the deficit by Kshs. 127,950,125 to Kshs. 57,942,929 (2021-2022) up from a deficit of Kshs. 185,893,054 (2020-2021).

Committee observation

29. The committee observed that university was able to make a surplus of kshs1,088,695 in the year 2023-2024 which is an improvement from the deficit of kshs.72,654,011 in year 2022-2023 and deficit of Kshs. 57,942,929 for 2021-2022 and (2020/2021 deficit: 185,893,054). The matter is therefore adequately addressed.

3.1.3 Budgetary Control and Performance

30. The statement of comparison of budget and actual amounts reflects actual total expenditure of Kshs. 1,165,448,455 against approved budget of Kshs. 1,063,619,902 resulting to over-expenditure of Kshs. 101,828,553. The source of the excess funds has not been explained.

31. In the circumstances, the excess expenditure of Kshs.101, 828,553 was irregular as it was not budgeted for.

Management Response

32. Management submitted that included the actual expenditure of Kshs. 1,165,448,455 for the year under review are depreciation and amortization expenses totaling to Kshs. 71,226,732

which is a non-cash expense accrued. The figure also includes some accrued gratuity expenses of Kshs. 26,030,102 which had not been budgeted for in the year under review. The University budgets for only gratuity expenses payable in the year in review.

33. In the year under review the University was recovering from effects of Covid-19 disease where a lot of money was spent on procurement of personal protective equipment (PPE's) and medical expenses for the affected staff and dependents under use of goods and services. The University has adopted accrual method in its budgeting and has in the financial year 2023/2024 and following financial years budgeted for non- cash expenses like depreciation and accrued gratuity.

Committee observation

34. The committee observed that the overspending of Kshs.101,828,553. was significant, despite management explaining that the over expenditure was due to medical expenses and gratuity, they ought to have adhered to the budgetary limits and put in place strong internal controls

Committee Recommendations

35. The Committee recommends that the Accounting Officer should adhere to the provisions of Section 44 of the PFM Act CAP412A by preparing a supplementary budget showing how additional expenditures relate to the fiscal responsibility principles and financial objectives.

3.1.4 Unresolved Prior Year Matters

36. In the audit of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved all the issues or given explanation for failure to do so.

Management Response

37. Management submitted that the University is working towards ensuring that all issues raised by the Auditor General's Office are addressed. A good number of which have already been fully resolved with others e.g. ethnic diversity, wage bill and debtors being addressed progressively as the University implements strategies that have been put in place to resolve the issues.

Committee observation

38. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations.

3.1.5 Non- Compliance with Law on Ethnic Diversity

39. Analysis of the payroll and staff list revealed that during the year under review, the University had 430 employees, both teaching and non-teaching on permanent and pensionable terms. However, out of the total number, 324 employees (or 75%) were from the same ethnic community, which is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from one ethnic community. In the circumstances, the Management was in breach of the law.

Management Response

40. Management submitted that, the reasons for non-compliance with Ethnicity are as follows:

- i. At the inception of Kibabii University College, staff from Masinde Muliro University of Science & Technology (MMUST) were seconded to work at Kibabii University College. After the award of the Kibabii University (KIBU) Charter in November, 2015 majority of staff who were from Luhya Community opted to remain at KIBU. Out of forty (40) employees who came from MMUST, thirty-three (33) staff were Luhyas (82.5%) .
- ii. Following the signing of the 2013-2017 National CBA between Inter-Public Universities Council Consultative Forum (IPUCCF) and KUDHEIHA Union on 15th March, 2017, Clause 10 stipulated that they convert all staff on casual terms to contractual terms. KUDHEIHA Union leaders thereafter went to Court seeking for orders to compel the University to implement the signed CBA which orders were granted by the Court to hire forty-seven (47) staff on casual terms to contractual terms where all the forty seven (47) staff were from Luhya Community
- iii. The Legal Notice provided for inheriting Kibabii Diploma Teachers College, its assets and staff. Majority of staff took every opportunity to apply for positions that were advertised at Kibabii University and were absorbed. It is noted that all the thirteen (13) staff who joined the University from Kibabii Diploma Teachers College (100%) were Luhyas.

iv. Reluctance by disadvantaged and marginalized groups in applying for arising job opportunities in the Institution

v. Location of the University. The University is located in a Luhya land and thus most applications come from the Luhya Region.

vi. At inception of Kibabii University, the University did not have full time lecturers, relied on part time lecturers, majority of whom came from the Luhya Community. When the positions were advertised at the University, most part time Lecturers applied and were considered for the positions).

41. Despite conducive working conditions by the University such as timely salary payment, timely payment of statutory deductions, loans facilities, medical benefits, members of staff from other regions leave the University

Committee observation

42. The committee observed that Management was in breach of Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one-third of its staff from the same ethnic community.

Committee recommendations

43. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments within 2 years upon adoption of this report. Further, this requirement must be embedded in the institution HR manual and policies within three months of adoption of this report.

3.1.6 Long Outstanding Receivables from Exchange Transactions

44. The statement of financial position reflects a balance of Kshs. 275,547,844 in respect of receivables from exchange transactions which, as disclosed in Note 22 to the financial statements. Included in this balance is Kshs.3, 440,695 relating to staff debtors which were outstanding since year 2020. This is contrary to Regulations 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account for or surrender the imprest within seven (7) working days after returning to duty station.

45. Further, and as disclosed in Note 22, to the financial statements, the receivables balance of Kshs. 275,547,844 includes a balance of Kshs. 277,412,430 relating to student fees debtors. However, records available indicate that the balances had been outstanding for over three (3) years. No explanation was also provided for the failure to have the long outstanding balances recovered.
46. In the circumstances, the recoverability of the long-outstanding receivables was in doubt.

Management Response

47. Management submitted that the University in compliance with Regulation 93(6) of the PFM Act, 2012 instituted recovery from salaries of Staff who failed to account for imprests within the timelines stipulated in Regulations 93(5) of the Public Finance Management Act. This recovery could however, not be done all at once due to the fact that the University must as well comply with labor laws that do not allow an employer to deduct from an employee's salaries monies to the extent that they remain with less than one third of their basic salary as their net salary.
48. The figure of Kshs. 277,412,430 represented all student debtors including first year students and 3rd and 4th year students who were invoiced towards the end of the financial year. The students' handbook allows students a deferral limit of up to three years.
49. The University constituted a Debt Management Committee that is tasked with the responsibility of following up on University debts. This will go a long way in giving reasonable assurance that the debts carried in the University books will be recovered. The Debt Management Committee has started to follow up the debts with an aim to recover. This is shown by evidence of students making a commitment or proposing a payment plan to the University. The University has also reviewed its debt management policy to make it more robust in debt recovery.

Committee observation

50. The committee observed that there are currently no outstanding debts exceeding three years, and the matter has therefore been adequately addressed.

3.1.7 Excess Wage Bill

51. The statement of financial performance reflects an amount of Kshs.883, 659,546 in respect of employee costs as disclosed in Note 15 to the financial statements, which represents 80% of total revenues of the University for the year of Kshs.1, 107,533,675. This is contrary to

Regulation 25(1) (b) of the Public Finance Management (National Government) Regulations, 2015 which states that staff costs of a public entity should not exceed 35% of its total revenue.

52. In the circumstances, management was in breach of the law

Management Response

53. The management submitted that the core mandate of the University is the provision of quality teaching, research and extension services. This is labor intensive as the University is required to employ qualified academic and administrative staff to achieve its mandate and to adhere to the CUE requirements. This is the main reason why the University's largest cost is salaries. The University cannot at this time reduce the number of employees when it is required to increase the number to 550 up from the current 430 to operate at the optimum threshold as per the requirement by the Commission for University Education, Universities Standards and Guidelines, 2014. The following are the reasons why the wage bill is viewed to be huge:

54. Implementation of unfunded 2017-2021 National CBA- Government Directives by Salaries and Remuneration Commission. Over the years, since inception of Kibabii University National Collective Bargaining Agreements (CBAs) were negotiated although funds for arrears were provided but funds for employer's pension contribution on the arrears and funds for implementation for future years were not provided. Therefore, the University had to look for ways to finance the increased wage bill contributed to by negotiated CBAs hence over burdening the constrained budget.

i. Recruiting Staff of Contract Terms.

55. The University approved recruitment of staff on contractual terms which increased the burden on the employer by 11% hence increased the wage bill by the same percentage since the University pays gratuity wholly at a rate of 31% as opposed to employing staff on permanent and pensionable terms, where the employee contributes 10% and employer 20%. This relieves the burden from the employer by 11%.

ii. Underfunding from the Government.

56. Since inception the University has been under funded hence not being able to offer optimal services to its clients (students), this has compelled the University to recruit Part-time teaching staff using the meager resources available to enable it run operations

and offer services. This has made the University to incur huge Part-time costs hence resulting to high part-time cost arrears. This puts high pressure on the wage bill hence high percentage of the wage bill when compared to the total budget.

57. Increased Part-time Costs due to understaffed academic staff.

Committee observation

58. Management was in breach of Regulation 26(1) (a) of the Public Financial Management (National Government) Regulations, 2015.

Committee recommendations

59. Management to engage in viable income-generating activities to ensure increased revenue and avoid over-reliance on Government capitation.

3.1.8 Failure to Establish Approved ICT Policies

60. The committee submitted that an analysis of documents provided for audit and the information Technology (IT) systems and structures revealed that the University did not have an approved information system policy, website management policy, anti-virus policy, change management policy, information and communication Technology (ICT) equipment use policy, e-mail acceptable use policy and internet bandwidth management policy. The University did not also have an approved disaster management and recovery plan.

61. In the circumstances, the University did not have an effective internal control mechanism in place.

Management Response

62. The University has developed a disaster recovery plan and ICT policies. This have been approved by the University Council.

Committee observation

63. The committee observed that the Information and Communication Technology (ICT) Policy was approved on 22 September 2023, and it incorporates the Disaster Management and Recovery Plan under paragraph 2.12.10. The matter has therefore been addressed.

3.2 Audited Financial statements for the financial year 2022/2023 (Unmodified Opinion)

3.2.1 Poor Financial Performance

64. I draw attention to the statement of financial performance which reflects a deficit of Kshs. 72,654,011 for the year under audit. The deficit increased from an amount of Kshs. 53,585,617 reported in the previous year. As a result, revenue reserves reduced from Kshs. 128,258,735 in 2021/2022 to Kshs. 98,819,443 in the year under review.
65. This is an indication that if adequate strategies are not put in place to reverse the loss-making trend, the University is likely to face financial challenges in the near future.

Management Response

66. Management submitted that the deficit was majorly as a result of the University not being able to meet its revenue target for the year 2022/2023 mainly as a result of automating its fee payment policy. The effect of this was that students who had not fulfilled both academic and financial requirements for the previous periods were not allowed to report for the subsequent year. This resulted to students not being invoiced for subsequent semester thus reducing the reported revenues from tuition and tuition related administrative fees. However, it is expected to be a temporary downturn caused by the University's automation of these measures. Positive changes are anticipated as students adapt to these new processes.
67. The University has already observed a reversal of this trend in the first three quarters of the Financial Year 2023/2024 posting of surpluses as a result of the Universities new funding model. In the 2022/2023 Financial Year the University was funded at 46% instead of 80% of the Universities projected incomes based on admitted students hence affected the financial base of the University therefore contributing to the realized deficit.
68. To further address this situation the University has taken the following measures;
- i. The University implemented strategies such as blended teaching and learning methods which is intended to reduce cost of hiring part time lecturers e.g. in a situation where 40 part time lecturers were hired only one (1) is currently hired to teach particularly the common courses.
 - ii. Reviewed and developed market-driven programs to attract more students and increase revenues. Invested in automated systems (ERP) to reduce the workforce hence the wage bill; Developed a staff conversion policy to increase the number of academic staff without external employment thus reducing the cost of hiring externally.

- iii. Implemented cost-cutting measures such as virtual meetings and sharing soft copies of documents instead of printing. These initiatives are aimed at improving the financial outlook and operational efficiency of the University.

Committee observations

69. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

3.2.2 Non-Compliance with Law on Ethnic Diversity

70. Review of the payroll and staff list revealed that during the year under review, the University had four hundred and thirty (430) employees, both teaching and non-teaching, and on permanent and pensionable terms. However, three hundred and twelve (312) employees or 75% of the total employees were from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one-third of its staff members from one ethnic community.

Committee observations

71. The Committee observes that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.2.3 Excess Wage Bill

72. The statements of financial performance reflects an amount of Kshs. 819,750,280 in respect of employee costs as disclosed in Note 16 to the financial statements, which represents 78% of total revenue of the University for the year of Kshs. 1,049,279,222.

Management Response

73. The University could not attain this requirement of 35% of total receipts because of its context as a service industry.

Committee observations

74. The Committee observes that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.3 Audited Financial statements for the financial year 2023/2024 (Qualified Opinion)

3.3.1 Unconfirmed Employee Payables

75. The statement of financial position and Note 32 to the financial statements reflect employee payables balance of Kshs. 279,205,079 and Kshs. 143,760,469 for the current

and previous financial years respectively. However, included in the amount id NSSF interests and penalty balance of Kshs. 7,770,278 which was avoidable.

76. In the circumstances, the accuracy, completeness and regularity of employee payables balance of Kshs. 7,770,278 could not be confirmed.

Management Response

77. Management submitted that NSSF interests and penalty of Kshs. 7,770,278 was accrued in the books for the first time since negotiations with NSSF were completed in the year under review. The debt occurred during the University's formative years where the NSSF Act did not clarify the requirement for contributions to NSSF by entities that had registered pension schemes. The University was directed by Ministry of Education to negotiate with other Government Bodies with a view for write off of the debts after payment of the principals, which the University complied with but NSSF refused to write off the interest and penalties. Therefore, the University had to provide for NSSF interests and penalty as a liability in its books to enable planning for payment in future periods

79. The University has fully paid NSSF interests and penalty. The payment has been done in two installments of equal amounts.

Committee Observation

80. The committee observed that the penalties and interests were negotiated and fully paid; the payment vouchers were provided and verified thus the matter is adequately addressed.

3.3.2 Unaccounted For Students Caution Money

81. The statement of financial position and Note 30 to the financial statements reflects a balance of Kshs. 11,109,250 in respect to refundable deposits from customers which includes student caution money amounting to Kshs. 10,767,370. However, the university could not demonstrate where the caution money was held since it did not operate a savings account for this purpose.

Management Response

82. Management submitted that the University collects caution money from students and maintains a ledger for the receipts and payments in the ERP system. Any outstanding amounts in the caution money ledger is treated and reported as a liability since the funds

are refundable to students upon clearance with the University in line with the Kibabii University Students Fees Payment Policy and fees structures.

83. The caution money collection is done together with tuition fees and other levies hence are held in the fees collection accounts. The University, therefore, charges the caution money liabilities account to enable refund to students who graduate. The University always has cash flow to support payment of caution money as they fall due. This is evident by bank balances as reflected on quarterly reports prepared from time to time and financial statements.
84. Currently, the Government of Kenya is in the process of implementation of Treasury Single Account system through the Ecitizen platform on pay bill number 222222 where all fees irrespective of the purpose is paid through the same platform. This is a requirement of the Public Finance Management Act, 2012, Section 28 (2) and (3).
85. The University has implemented the payment mode under the Ecitizen platform through pay bill number 222222 for the collection of all revenues for the University.
86. The University has designated an account to hold caution money liability for the period that it will remain outstanding.

Committee observation

87. The matter is resolved the institution has created and dedicated an account for the caution fees at KCB bank.

3.3.3 Budgetary Control and Performance

88. The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis of Kshs.1,240,237,003 and Kshs.1,387,555,719 respectively, resulting to over-collection of Kshs.147,318,716 or 12% of the budget. Similarly, the University spent Kshs.1,386,480,067 against expenditure budget of Kshs.1,240,237,003 resulting in over- expenditure of Kshs.146,243,064 or 12% of the budget.
89. In the circumstances, the effectiveness of budget formulation and implementation by the University Management could not be confirmed.

Management Response

90. Management submitted that the over-collection of revenues of Kshs. 147,318,716 or 12% was as a result of the Students Centred Model/New Funding Model which enhanced revenue generation by the University. The University did not anticipate that there would

be a significant impact. The determination of numbers of students to be placed at Kibabii University was not predictable as Kenya Universities and Colleges Central Placement Service continued to place and carry out inter-university transfers to Universities hence this made it difficult to correctly determine the new student numbers for budgeting purposes. We are hopeful that Kenya Universities and Colleges Central Placement Service will place students early to enable universities plan.

91. That expenditure of Kshs. 146,243,064 or 12% was as a result of accrued expenses relating to employee provisions which includes part time claims, service gratuity, medical expenses and NSSF interest and penalties which had not been factored in the final revised budgeted.
92. The University will ensure that revenues are properly projected so as to reduce the variances between the budget amounts and the actual collections.

Committee observations

93. The Committee observes that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.3.4 Excess Wage Bill

94. The statement financial performance reflects the employees costs of Kshs. 887,942,665, which represents 64% of the total revenue of the University of Kshs.1,387,555,719. This is contrary to the provisions of Regulation 26(1) (a) of the Public Financial Management (National Government) Regulations, 2015 which requires that staff costs of a public entity should not exceed 35% of its total revenue.

Management Response

95. The management submitted that the University could not attain this requirement of 35% of total receipts because of its context as a service industry. The core mandate of the University is the provision of quality teaching, research and extension services. These are labor intensive as the University is required to employ qualified academic and administrative staff to achieve its mandate and to adhere to the Commission for University Education (CUE) regulations. This is the main reason why the University incurred the largest cost on salaries.
97. The Commission for University Education, Universities Standards and Guidelines, 2014 PROG/STD/17 further guides on the qualification of academic programme heads, heads

of academic programme specialization areas, the ratio of full time to part time academic staff members, minimum qualifications for academic staff, lecturer: student ratio, maximum number of students an academic staff can supervise in any given academic year and the maximum lecturer workload.

98. Some of the Challenges Experienced by Kibabii University in achieving 35 per cent Wage Bill to Revenue Ratio provided in the PFM Regulations, 2015

i. Inadequate Funding

99. Kibabii University faces a challenge of securing sufficient funding from Government sources and other revenue streams, leading to financial constraints in meeting salary expenses. Over the years, Kibabii University has been funded at 46% by GoK instead of 80% of the Differentiated Unit Cost (DUC). The underfunding has occurred over the years since inception in 2012/2013 financial year to date. In some instances the budget cuts have seriously affected the University particularly on capital development funding. This affects the revenue base hence impacts negatively on attainment of the 35% wage bill requirement as stipulated in the Public Finance Management Act Regulations, 2015.

ii. Rising Personnel Costs due to unfunded CBAs

100. Kibabii University struggles with escalating personnel costs, including salaries, benefits, and pension contributions as a result of unfunded nationally negotiated Collective Bargaining Agreements (CBAs). This makes it challenging to maintain a reasonable wage bill to revenue ratio.

iii. Staffing Levels

101. Staff-to-student ratios requirement by the Commission for University Education (CUE) contribute to increased wage bills. Kibabii University finds it difficult to strike a balance between maintaining quality education and managing costs.

iv. Collective Bargaining Agreements

102. Negotiations with labor unions and the implementation of Collective Bargaining Agreements influence wage bills. Meeting the agreed-upon terms while adhering to financial regulations is a complex task. Kibabii University has in the recent past negotiated zero CBA's with unions due to inadequate funding and guidance from Salaries and Remuneration Commission. If 2017-2021 CBA is fully implemented, the University's revenues will be enhanced consequently reducing the wage bill percentage.

v. Revenue Generation

103. Achieving the 35 per cent ratio may depend on the Kibabii University's ability to generate sufficient revenue. The University's ability to generate additional revenue streams are limited or/ unpredictable hence meeting the 35% ratio will be challenging considering its current situation.

vi. Enrolment Fluctuations

104. Changes in student enrolment levels impacts revenue. Over the years there has been fluctuations in enrolment without corresponding adjustments in funding hence the University struggles to maintain the required wage bill to revenue ratio.

vii. The effects of Covid-19

105. The University underperformed in Appropriation-In-Aid (AIA) collection as a result of suspended operations at the University in-line with Government directive to close all learning Institutions in March, 2020 in order to curb the spread of Covid-19. This adversely affected semester dates and therefore revenues. The reduced revenues increased the wage bill ratio for the period 2020/21.

106. Increase in Government Funding. The University has written to the Ministry of Education (MoE) to consider increase in funding. This is expected to be addressed by the new funding model if fully implemented by the Government of Kenya;

107. Development of online academic modules and implementation of Blended Teaching. This has reduced face-to-face engagements thus reducing the wage bill.

108. From the summary below, it is noted that the number of academic staff is increasing and the number of administrative staff is decreasing.

Table 1.0: Total Number of Academic and Administrative Staff

Description	2021/22	2022/23	2023/24
No. of Academic Staff	116	116	122
No. of Administrative staff	314	300	288
	430	416	410

S/No.	Department	Names	Designation	PF/No.	Grade	Term	Total Salary
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							(KES)
1	EPM	Dr. Demtilla N. Sibilike	Lecturer	116	12	permanent	180,377.00
2	Educational Psychology	Ms. Clarje Wakhungu	Tutorial Fellow	297	11	contract	168,287.00
3	EPM	Mr. Onex D. Opati	Tutorial Fellow	358	11	contract	157,943.00
4	Computer Science	Mr. Jackson Ng'etich	Tutorial Fellow	251	11	contract	157,943.00
5	Biological Sciences	Mr. Godfrey Shem Juma	Tutorial Fellow	315	11	contract	194,541.00
6	Biological Sciences	Mr. Stanlous Juma Waswa	Tutorial Fellow	232	11	contract	168,768.00
Total							1,027,859

109. Conversion of Administrative Staff to teaching instead of external recruitment. The University has an approved Staff Conversion Policy for converting qualified administrative staff to teaching positions to increase the number of lecturers and researchers without increasing the wage bill. This will enable the University adhere to CUE regulations without increasing the total number of staff as well. The following six (6) members of administrative staff who met CUE requirements were converted to teaching in the FY 2023/24:

Wage Bill Trends

Wage Bill to Revenue Ratio and Staff Establishment

F/Y	Wage Bill Expenditure	Revenue	Ratio of Wage Bill/ Revenue	Approved Establishment	In-post	Remarks
2020/21	874,988,593	1,006,687,212	0.87	690	427	High wage bill due to implementation of unfunded CBA, low income due to COVID1-

						19 measures
2021/2 2	883,659,546	1,142,533,675	0.77	730	430	
2022/2 3	819,750,280	1,082,400,967	0.76	770	416	
2023/2 4	923,526,221	1,345,609,568	0.68	811	410	

110. Note: Wage bill Expenditure includes salaries and wages, pension (Employer Contribution) part-time paid, gratuity paid to staff whose contracts have ended and medical bills paid in the year). In 2023/2024, the University witnessed a notable decrease in its overall wage bill to revenue ratio compared to the previous financial year 2022/2023. That is from 0.76% to 0.68%.

111. In 2022/2023, the wagebill to revenue ratio decreased from 0.77% to 0.76% compared to the previous financial year 2021/2022. The reduction in the wage bill to revenue ratio is attributed to a combination of factors, including implementation of staff conversion policy, staff separation without recruitment, and minimized staff recruitment to only critical areas.

112. In 2022, the University implemented cost containment measures, resulting in a modest decrease in the wage bill. This reduction was achieved through a temporary hiring freeze, and efficiency improvements in administrative processes. In 2021, there was a steady growth in the wage bill as the University undertook a strategic initiative to attract and retain top-tier faculty members. Investments in research and academic excellence led to increased hiring and higher salary expenditures.

113. The fluctuations in the ratio are indicative of the University's efforts to balance its commitment to competitive salaries for Faculty and staff with the need for financial sustainability.

Committee observations

114. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

3.3.5 Non-Compliance With Law on Staff Ethnic Diversity

115. Review of the payroll and staff list revealed that during the year under review, the University had four hundred and ten (410) employees, both teaching and non-teaching, and on permanent and pensionable and contract terms. However, three hundred and fourteen (314) employees or 77% of the total employees were from one ethnic community. Further, during the year under review the University employed nine (9) staff out of which four (4) or 44% of total newly recruited staff were members of one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from one ethnic community.
116. In the circumstances, Management was in breach of the law.

Management Response

117. Management submitted that in the year 2023/24, the total number of staff was 410 and not 430 as stated. Reasons for non-compliance with Ethnicity are as below:
118. At the inception of Kibabii University College, staff from Masinde Muliro University of Science & Technology (MMUST) were seconded to work at Kibabii University College. After the award of the Kibabii University (KIBU) Charter in November, 2015 majority of staff who were from Luhya Community opted to remain at KIBU. Out of forty (40) employees who came from MMUST, thirty-three (33) staff were Luhyas (82.5%).
119. Following the signing of the 2013-2017 National CBA between Inter-Public Universities Council Consultative Forum (IPUCCF) and KUDHEIHA Union on 15th March, 2017, Clause 10 stipulated that they convert all staff on casual terms to contractual terms. KUDHEIHA Union leaders thereafter went to Court seeking for orders to compel the University to implement the signed CBA which orders were granted by the Court to hire forty-seven (47) staff on casual terms to contractual terms where forty-two (42) staff were from Luhya Community.
120. The Legal Notice provided for inheriting Kibabii Diploma Teachers College, its assets and staff. Majority of staff took every opportunity to apply for positions that were advertised at Kibabii University and were absorbed. It is noted that all the thirteen (13) staff who joined the University from Kibabii Diploma Teachers College (100%) were Luhyas.

121. Reluctance by disadvantaged and marginalized groups in applying for arising job opportunities in the Institution

Committee observations

122. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.4 Audited statements for Financial Year 2024/2025 (Unmodified Opinion)

3.4.1 Budgetary Control and Performance

123. The statement of comparison of budget and actual amounts reflects expenditure budget and actual on comparable basis amounts of Kshs.1,688,216,477 and Kshs.1,475,103,998 respectively, resulting to under-expenditure of Kshs.213,112,479 or 13% of the budget. However, the under-expenditure was incorrectly stated at Kshs.193,112,479 resulting to an unexplained variance of Kshs.20,000,000.
124. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

125. Management submitted that the under-expenditure was Kshs.193,112,479 i.e., 11.58% and not Kshs. 213,112,479 as earlier stated.
126. The under expenditure was contributed to due to late approval and communication of supplementary III by the Government of Kenya. This made it difficult to absorb the budget.

Committee Observation

127. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.4.2 Unresolved Prior Year Audit Matters

128. In the report for the previous year, several issues were raised under Report on the Financial Statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in the Use of Public Resources as detailed in Appendix Management has indicated under progress on follow up of Auditor-General's recommendation section of the financial statements that the issues have been not been resolved, and that they are awaiting Public Investment Committee (PIC) report.
129. In the circumstances, the issues remain unresolved.

Management Response

130. Management submitted that the prior year audit issues were resolved but the University is awaiting Public Investments Committee of the National Assembly report to enable closure. The University will follow up with the National Assembly to determine the current status.

Committee observation

130. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations

3.4.3 Unsupported Payment for Maintenance of Catering and Hostel Facilities (Repair and Servicing of Cold Room)

131. The statement of financial performance reflects repairs and maintenance expenditure of Kshs.20,047,589 and as disclosed in Note 18 to the financial statements. Included in this amount is Kshs.1,392,000 in respect of maintenance of catering and hostel facilities. The maintenance expenditure further includes an expenditure of Kshs.1,132,000 for the repair and servicing of a cold room. Although a client job card, and an inspection and acceptance report were provided for audit review, they lacked critical details necessary to ascertain the nature and extent of services rendered. The job card indicated that the unit was "repaired, serviced and left in good working condition," but did not specify the components repaired or replaced, scope of servicing, spare parts used, or details of technical work involved.
132. Additionally, the inspection and acceptance report omitted key technical information such as inspection procedures, confirmation of deliverables, and endorsement by a qualified refrigeration engineer.
133. In the circumstances, the regularity, accuracy and completeness of the expenditure of Kshs.1,132,000 in respect of maintenance of catering and hostel facilities could not be confirmed.

Management Response

134. Management submitted that a pre-repair technical assessment was done by the head of user department (Estate) and submitted as requisition no. SOR842 detailing the scope of

work; The tendering process also entailed a mandatory site visit to verify the scope of work before quoting which confirmed the scope of work

135. The procurement process was conducted in compliance with PPADA, 2015 as per documentation attached herewith

136. Inspection and Acceptance was done by Inspection and Acceptance Committee and presented a comprehensive repair report in accordance with Sec 48 of PPADA,2015; and

137. The Inspection and Acceptance Committee provided a comprehensive repair work done.

Committee Observation

138. The matter is addressed. The inspection and acceptance report, together with a comprehensive report of the repair work done, has been provided and verified.

3.4.4 Non-compliance with Law on Staff Ethnic Diversity

139. Review staff records revealed that the University had four hundred and thirteen (413) employees during the year under review. However, three hundred and twelve (312) members of staff or 76% were one dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which mandates that all public offices strive to reflect the diversity of the Kenyan population in their staffing and prohibits any public establishment from having more than one-third of its workforce from a one ethnic community. Management has not demonstrated actions taken and the future plans to ensure compliance with law on ethnic diversity.

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

Management Response

141. Management observed that During the Financial Year 2024/25, the University recruited nine (9) staff out of which 44.4% were Luhya and 55.6% were from other ethnic background as below.

142. It is noted that there is reluctance by disadvantaged and marginalized groups in applying for arising job opportunities in the University. The University is located in a region dominated by Luhya community and thus most applications come from the Region.

Committee observation

143. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

3.4.5 Underrepresentation of Persons with Disabilities in Employment

144. Review of staff records revealed that the University had four hundred and thirteen (413) staff. However, out of the total number of employees, only eight (8) members of staff or 2% were identified as Persons with Disabilities (PWDs). This was contrary to Section 21(2) of the Persons with Disability Act, 2025 which mandates that where an employer has at least twenty employees, they are to reserve at least five per cent direct employment opportunities for persons with disabilities to secure employment.

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

Management Response

146. Management submitted that the number of staff living with disability in the University has been increasing over the years.

Committee observation

147. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee recommendations

148. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance by ensuring affirmative action in subsequent recruitments and ensuring that this requirement is embedded in the institution's HR manual and policies, within three months of adoption of this report.

3.4.6 Inaccessibility of Administration Block to Persons with Disabilities (PWDs)

149. The audit established that the main administration building, which accommodates the majority of the University's administrative departments, was not accessible to persons with disabilities. The building lacked ramps to facilitate access by individuals using assistive devices such as wheelchairs. Further, the building was not fitted with a lift, thereby rendering the upper floors inaccessible to persons with mobility impairments.

150. This was contrary to Section 30(1) of the Persons with Disabilities Act, 2025 which provides that persons with disabilities are entitled to a barrier-free and disability-friendly environment to enable them to have access to buildings, roads and other social

amenities, and assistive devices and other equipment to promote their mobility. In the circumstances, Management was in breach of the law.

Management Response

151. Management submitted that the University had planned for the installation of the passenger lift to the main administration block. The National Treasury has not allocated a budget for the works.

Committee observation

152. The committee observed that the University has allocated an office on the main Administration Block, ground floor, where top Management and any other staff whose offices are on the upper floors can meet persons with disabilities. Management has also budgeted for an elevator and the matter is to be kept in view by the OAG.

3.4.7 High Wage Bill

153. The statement of financial performance reflects employees' costs amounting to Kshs.1,015,550,132, representing 58% of the total revenue of Kshs.1,738,793,543. This was contrary to Regulation 26(1Xa) of the Public Finance Management (National Government) Regulations, 2015 which provides that national government entity's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the national government's equitable share of the revenue raised plus other revenues generated by the national entity. In the circumstances, Management was in breach of the law.

Management Response

154. The management submitted that the University could not attain this requirement of 35% of total receipts because of its context as a service industry. The core mandate of the University is the provision of quality teaching, research and extension services. These are labor-intensive as the University is required to employ qualified academic and administrative staff, Kenya.

Committee observation

155. The committee observed that the university is making progress in addressing the matter. The University has written to the Ministry of Education (MoE) to consider an increase in funding and has also developed online academic modules to reduce the wage bill and thus the matter should be kept in view by the OAG.

3.4.8 Wasteful Expenditure on Evaluation of Tenders

156. During the year under review, the University had incurred an expenditure of Kshs.641,245 on evaluation of tenders. Review of the supporting ledger and the quarterly financial reports revealed that imprests were issued to three (3) staff members for the tender evaluation exercise in Kisumu city. However, no justifiable explanation was provided on why the tender documents which were delivered to the University premises were carried to a location outside the university premises for evaluation purposes. In the circumstances, the expenditure amounting to Kshs.641, 245 was not effectively utilized.

Management Response

157. Management submitted that the University wished to clarify that the amount spent on tender and valuation expenses was Kshs 641,245. A total of Kshs. 205,045.00 on advertisement, which was done in the Government Advertising Agency, Kshs. 169,400.00 on due diligence for the provision of security service and provision for Pest and Vermin Control and Sanitary Bin Services. A total of Kshs. 266,800.00 (Appendix 15 (a) was spent on due diligence for supply, delivery, training and maintenance of Internal Audit Software and provision of insurance services and Biomedical equipment.

Committee Observation

158. The committee observed that management provided an analysis of the expenditure of KShs. 641,245 and Kshs. 266,800 relating to tender evaluation and imprests, thus the matter is adequately addressed.

4.0 THARAKA UNIVERSITY

159. Professor. Peter K. Muriungi, the Vice-Chancellor of the University and the Accounting Officer was accompanied by the following officers—

- i. Prof. Veronica Karimi Nyaga, Deputy Vice-Chancellor Academic Research and Students Affairs.
- ii. Prof. Collins Miruka, Deputy Vice Chancellor Administration, Finance, Planning and Development.
- iii. Mr. Antony Mutegi Njiru, Head of Finance.
- iv. Dr. Daniel Mwangi Muriithi, Registrar Academic Affairs

v. Dr. Edward Patrick Kathuni, Registrar Administration and Planning.
appeared before the Committee to adduce evidence on the audited accounts of Tharaka University, on 19th February, 2026.

4.1 Audited statements for Financial Years 2024/2025 – Unqualified Opinion.

4.1.1 Budgetary Control and Performance.

160. The statement of comparison of budgets and actual amounts reflects final revenue budget and actual on comparable basis totalling Kshs.1,240,146,865 and Kshs.1,120,999,448 respectively, resulting into underfunding of Kshs.119,147,417 or 10Yo of the budget. Similarly, the University spent an amount of Kshs.1,087,941,794 against actual receipts amount of Kshs.1,120,999,448 resulting into under absorption of kshs.33,057,654 or 3o/o of the actual receipts. The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

161. The committee submitted that this issue related to under collection of revenue by 10% from the student's tuition fees and under absorption of the revenue by the University with 3%. The University was affected by the New Funding Model which was being implemented. The model had challenges when it was being rolled out but has since been replaced with the Student-Centered Model where fees for all the programs was reduced. This has since been corrected since the student's fees was reviewed downwards and all the new students are scored by the higher education funding board before they join the University. This issue is sorted through a letter from the Principal Secretary State Department for Higher Education to Universities on the revised fees to be paid through the Student-Centered Model.

Committee Observations.

162. The Committee observed that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.

Committee Recommendations

163. The Committee recommends that the Ministry of Education and National Treasury should disburse capitation on time to Institutions without any undue delay.

4.1.2 Failure to comply with the Compliance with Fiscal Responsibility Principle on Wage Bill

164. As previously reported, the statement of financial performance reflects employment expenses and total revenue amounts of Kshs.461,323,868 and Kshs.1,225,033,420 respectively. However, the employment expenses amount of Kshs.461,323,868 is 38% of the total revenue amount of Kshs.1,225,033,420. The university therefore, exceeded the recommended threshold by 30%. This is contrary to Regulations 26 (1)(a) of Public Finance Management (National Government) Regulations, 2015 which states that the National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the national government pursuant to Article 209 (4) of the Constitution. In the circumstances, Management was in breach of the law.

Management Response.

165. Management submitted that the issue relates to Non-compliance with 35% of Expenditure on employee compensation. The issue was discussed in the third National Wage Bill Conference held at Bomas of Kenya and agreed the adherence of this Principle by 2028. Since the University is in the Service industry and most of its revenue is spent on teaching and research as this is the core mandate of the University. The accounting for payment to lecturers is done through the Personnel emoluments. The University has put up measures through recruiting members of staff in critical areas only to reduce cost and providing alternative sources of financing to increase its revenue base.

Committee Observations.

166. The Committee observed that the matter has been addressed but should adhere to the provisions of Regulations 26 (1)(a) of Public Finance Management (National Government) Regulations, 2015.

4.1.3 Delay in Collection of Student Tuition Fees Receivables.

167. As previously reported, the statement of financial position reflects receivable from exchange transactions balance of Kshs.136,764,824 as disclosed in Note 21 to the financial statements. However, review of the customer summary ageing report and

student statements provided for audit revealed delay by some students in paying tuition fees. This was contrary to Section 2.1.4 j of Tharaka University Financial Management Manual which states that that no student with fee balances will be allowed to sit for exams unless approved by relevant authority and follow up done to recover all the outstanding fee balance. In the circumstances, Management was in breach of the Manual.

Management Response

168. This issue relates to fees arrears from students which the University has not been able to collect by the time the students were sitting for their end of semester examinations. During 2024/2025 financial year the Government rolled out new University Funding Model. This Model resulted in the increase in the fees receivable since most of the University Scholarships, and Helb loans had not been paid by the Universities Funding Board and Higher Education Loans Board by end of the 2024/2025 financial year. The University has since written to the Ministry on the outstanding payment for scholarships and HELB. The University has ensured that the students are able to clear their household contribution before graduating.

Committee observations.

169. The Committee observed that the Institution was affected by the New Funding Model issues and the delayed disbursement of funds to the Institution by the National Treasury.

Committee recommendations.

170. The Committee recommends that the Ministry of Education intervene to address the financial challenges facing these institutions by ensuring timely disbursement of capitation, taking into account their revenue streams, and by working in collaboration with the National Treasury to oversee the prompt release of funds without undue delay.

171. Further, the committee recommends that the Institutions be encouraged to develop other income-generating activities to increase their cash flow, so as not to rely solely on government funding

172. The Committee recommends and directs that the Ministry of Education in conjunction with the National Treasury disburse capitation to the various institutions on time.

5.0 RONGO UNIVERSITY

173. Mr. Samuel Gudu, Vice Chancellor, accompanied by;

- i. Ms. Olivia Odhiambo - Finance Officer
- ii. Mr. Titus Ndonga- Procurement Officer
- iii. Mr. Gideon Kilel- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Rongo University, on 2nd April 2025 and on 18th February 2026.

5.1 Audited statements for Financial Year 2021/2022 (Qualified Opinion)

5.1.1 Material Uncertainty in relation to sustainability

174. The Statement of financial performance reflects the results of operation a deficit amount of Kshs 41,492,188. Further, the statement of financial position and as disclosed in notes 11 to 15 and 19 to 21 reflects the Current Assets amount of Ksh 141,924,041 and Current Liability amount Ksh (363,992,083) resulting in a negative working capital of Ksh 220,568,036. This implies that the University is technically insolvent and may not be able to sustain its services in the foreseeable future. The University has not made any disclosures on the face of the financial statements or the Notes of the material fact that it may not sustain its services.

175. In the circumstances, the University financial statements prepared on the assumption that the University will continue to sustain its services may not be applicable

Management Response

176. Management submitted that the University's negative working capital was occasioned by the high wage bill arising from the signed Collective Bargaining Agreements (CBAs) 2017-2021. The disclosure on sustainability was made in Note 28 highlighting the strategies aimed at addressing the issue which includes; Harmonization of programs, increase of teaching load, reorganization of schools, departments and administrative units, establishment of Income Generating Units as well as declaration of redundancy, among others. This has reduced operational costs and freed money which has been used to settle payroll creditors and hence address the issue of sustainability. Currently the University has attained a positive working capital and hence is Sustainable. The University also requested for full funding of the signed CBA to clear the arrears.

177. The University is committed to disclosing in its financial statements the measures taken to address the sustainability of service and going concern assumption as appropriate.

Committee Observation

178. The Committee observed that although the University's negative working capital was previously attributed to the high wage bill arising from the signed Collective Bargaining Agreements (2017–2021), management has implemented several measures that have helped reduce operational costs and enabled settlement of payroll creditors, resulting in the University attaining a positive working capital position.

179. The Committee further noted that the University has requested full funding of the signed CBA to clear the outstanding arrears and the going concern assumption. While the trend is improving, the Committee notes that more efforts are still required to strengthen financial sustainability.

5.1.2 Budgetary Control and Performance

180. The statement of comparison of budget and actual amounts reflects total budgeted receipts of Ksh. 1,008,332,467 and actual receipts of Ksh. 995,261,562 resulting to a net deficit of Ksh. 3,070,095. Similarly, the statement reflects total budgeted expenditure of Ksh. 1,008,332,467 and actual expenditures of Ksh. 984,229,425 resulting to under absorption of Ksh. 24,103,042. The under-collection and under-absorption may have affected the planned activities of the University

Management Response

181. Management submitted that the University's budgets are based on estimates of student numbers, subject to the actual number that may be on session during the financial year. Specifically:

182. The budgets are based on student numbers allocated by Kenya Universities and Colleges Central Placements Services (KUCCPS) which are done in May, however, the number of students that eventually report in September for the first years, may vary because of Inter-University and Inter-School transfers.

183. During the year, some students may differ their programmes due to varied reasons e.g. on financial, medical and other grounds thereby causing under collections of school fees. In the same regard, some students who had deferred earlier pay school fees for previous periods hence, causing over collections in some years.

184. This notwithstanding, the University has put in place measures to ensure that all revenues due to the University are collected.
185. All planned activities that were not implemented in the year they were budgeted for such as fencing are prioritized in the next budget cycle.
186. The University Management will adhere to its Annual Budget and implement it according to planned activities.

Committee observation

187. The Committee observes that underfunding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.
188. The Committee further observed that learning institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

189. The Committee recommends that the Accounting Officer must strengthen its budget formulation process to ensure that projections are realistic and achievable, thereby preventing the recurrence of large variances and ensuring planned services are delivered to beneficiaries.
190. The Committee further recommends that the Accounting Officer reviews budgets quarterly to reflect realities, through supplementary budgets. Additionally, the Institution should intensify efforts to develop other income generating activities to increase their cashflow so as not to depend solely on government funding or student fees, which often results in budgetary shortfalls.

5.1.3 Non- compliance with law on Ethnic Composition

191. Review of payroll and other human resource records revealed that the total number of employees of the University was four hundred and twenty-five (425) out of which three hundred and eleven (311) or seventy-three (73%) per cent were from the dominant ethnic community. This is contrary Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which provide that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public

establishment should have more than one third of its staff from the same ethnic community.

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

Management Response

193. The Management submitted that the University is an equal-opportunity employer. Non-compliance with ethnic composition was brought about by the inheritance of staff from the former Moi Institute of Technology. The University is progressively reducing the dominance of one ethnic group for example between 2012 – 2023 the number of the dominant ethnic group has dropped from 352 to 300.

194. The University has put in place measures to ensure that future recruitments address this requirement.

Committee Observation

195. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

196. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments within 2 years upon adoption of this report. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report.

5.1.4 Unsustainable wage bill

197. The statement of financial performance and as disclosed in Note 5 to the financial statements reflects employees' costs amount of Ksh. 692,469,637. The amount constitutes seventy-five (75%) per cent of the total receipts amount Kshs.925, 155,562. This is contrary to Regulation 26(1) (a) of the Public Financial Management Act (National Government Regulations), 2015, which limits the expenditure on wages and remuneration allowances to 35% of the total receipts.

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

Management Response

199. Management submitted that over the years, the government has signed three (3) National CBA's, resulting in increased salaries. However, funding has never been commensurate to the increments. Council has addressed this issue by doing the following:

- i. Increased work load from 6 to 8 courses per academic year per lecturer.
- ii. Reduced the number of schools from 6 to 4 and administrative offices from 33 to 26 to reduce operational expenses. The Academic Departments were also reduced from 15 to 11.
- iii. Academic Programmes that were poorly subscribed by students were also dropped.
- iv. Declared staff redundancy which resulted in laying off 107 staff members.
- v. Harmonized programs to reduce part time costs.
- vi. Establishment of IGUs i.e. Textile & Laundry.

200. Currently, the wage bill has reduced from 78% to 58%.

201. The University is continuously monitoring the wage bill to ensure sustainability.

Committee Observation

202. The Committee observed that management has undertaken measures including increasing lecturers' workload, restructuring schools and administrative units, dropping poorly subscribed programmes, declaring staff redundancy, harmonizing programmes to reduce part-time costs, and establishing Income Generating Units. These measures have reduced the wage bill from 78% to 58%. While this indicates improvement, the wage bill remains above the statutory threshold.

Committee Recommendation

203. The Committee recommends that the University continues to implement sustainable staff rationalization and cost-control measures, while enhancing internally generated revenue to progressively reduce the wage bill to within the legal limit of 35% of total receipts. Further, the University should engage the National Treasury and the Ministry of Education to ensure that future Collective Bargaining Agreements are supported with adequate funding to avoid recurrence of the breach.

5.1.5 Heads of Departments on Acting Positions

204. Review of employment records revealed that twelve (12) departments are headed by staff who have been acting for a period of more than one year without plausible reasons for not competitively filling those positions with substantive appointments. This is contrary to the provisions of Section 34(3) of the Public Service Commission Act, 2017, which provides that, an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. In addition, section 1.3.9 of the University human resource manual provides that an officer shall not be in acting positions for more than one year unless it's renewed.

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

Management Response

206. Management submitted that due to funding challenges, the University was unable to fill the positions and, hence, staff were appointed to act on those positions. However, the positions have now been filled substantially.

Committee Observation

207. The Committee observed that the institution has since substantively filled the positions thus the issue is resolved.

5.1.6 Overdue Students Debtors

208. The statement of financial position and as disclosed in Note 12 to the financial statement reflects receivables from exchange transactions amount of Ksh. 67,301,075 which includes student debtors amount of Ksh. 58,798,397. Review of the debtors aging analysis revealed that the student debts had been outstanding for over thirty (30) days. This is contrary to section 6.3 of the University's Financial Management Policy, revised 2019 which allows for up to 30 days' grace period before payment for monthly fees and any other amount due on contractual obligations.

209. In the circumstances, Management was in breach of the University financial management policy.

Management Response

210. Management submitted that the Finance Management Policy has now been revised to allow the students to pay fees within 90 days in order to align it with the semester basis

of the University. As of now, the University has reduced the debt from Ksh. 58,798,397 to Ksh. 6,780,826 which translates to 88% collection of the amounts reported.

Committee Observation

211. The Committee noted that the University has made significant progress in debt recovery, reducing the outstanding student debt from Kshs. 58,798,397 to Kshs. 6,780,826, representing approximately 88% collection.

Committee Recommendation

212. The Committee recommends that the University should continue to strengthen debt collection mechanisms and enforce the revised policy to ensure timely settlement of fees by students, while maintaining effective monitoring of receivables to prevent the accumulation of outstanding balances.

5.1.7 Construction of a Library

213. Review of records provided for the construction of the university Library revealed that the University awarded a contractor a tender to construct a library at a contract sum of Ksh 1,358,342,492. The commencement date of the Contract was 4 January, 2019 and the expected completion date was 15 January, 2021. The contractor requested for extension of the contract period by one year on 12 March, 2021 and the Management granted the request. Physical verification on the library carried out in January, 2023, revealed that the project remained incomplete and the contractor had cumulatively been paid Kshs. 639,482,852 towards the completion of the project.

214. In the circumstances, the University did not attain value for money on the expenditure of Kshs.639, 482,852 for the library. Further, the delay in completion of the project has affected the delivery of library services to the University community.

Management Response

215. Management submitted that the construction of the Library is a government-funded project. Low funding and budget cuts have slowed down the progress of its construction. At the time of the audit, the completion rate was at 47%. Extension of contract period was granted by the University and the Contractor is on site and the value of works ongoing at 51%. The University is committed to ensure the project completion by allocating more resources from its A-I-A, as we continually seek for more funding from the Government.

Committee Observation

216. The Committee noted that the construction of the Government-funded Library remains behind schedule due to persistent funding constraints and budget rationalization. Although the University has made efforts to seek additional funding from the Government and has committed part of its Appropriation-in-Aid (A-I-A) to bridge the financing gap, progress of the project continues to be affected by inconsistent and inadequate exchequer releases, which have delayed its completion.

Committee Recommendation

217. The Committee recommends that the Ministry should prioritize funding for the project and consider focusing resources on completing ongoing projects before initiating new ones. The Committee further urges the Ministry to respond to the University's requests for funding to facilitate timely completion of the project.

5.1.8 Proposed construction of a Three-Storey Hostel Block

218. Review of records for the construction of Three-Storey Hostel Block revealed that the University awarded a tender to a contractor to construct a Three-Storey Hostel Block at a contract sum of Kshs. 95,571,020. The commencement date of the contract was 16 May, 2015 and expected completion date was 30 June, 2016. The University paid an amount of Kshs.18,311,762 towards the construction of the Hostel. Physical verification of the works in January, 2023 revealed that the project had been done to the foundation level and had been abandoned. Thick bushes have grown all over the site impeding access while the exposed iron rods (Y-18) used in erecting columns and the building blocks have been vandalized.

218. In the circumstances, the University did not attain value for money from the expenditure of Ksh 18,311,762 and the delay in completion of the project has affected service delivery to the public.

Management Response

219. Management submitted that the contract was terminated and Council approved change of user from Hostel to laboratory block and laboratory complex. However, government directed that they can only fund 2 capital projects at a time. The University has since commenced the procurement process for the project by allocating funds from its A-I-A in

the FY 2024/25. A consultant has since been identified and the procurement process of identifying a contractor is ongoing.

Committee Observation

220. The Committee noted that the Government directed that only two capital projects can be funded at a time, which affected the progress of the project. However, the University has since initiated the procurement process by allocating funds from its Appropriation-in-Aid (A-I-A) in the FY 2024/2025. A consultant has been identified and the procurement process for identifying a contractor is currently ongoing.

Committee Recommendation

221. The Committee recommends that the University expedites the procurement process to ensure timely commencement and completion of the project, while the Ministry should consider prioritizing funding for the project to avoid further delays.

5.1.9 Proposed Main Gate and Gate House Development

222. Review of records on the construction of the University main gate and gate house revealed that the University awarded a tender to a contractor to construct a main gate and a gate house at a contract sum of Ksh. 22,482,222 with a commencement date of 29 October, 2019 and expected completion date of 28 January, 2020. The university paid the contractor an amount of Ksh. 19,733,425 towards the construction.

223. Physical verification carried out in January 2023 revealed that the project was complete but was not serving the intended purpose as the University had not constructed a fence around the university compound to control the movement of people in and out of the University. Management has not explained why significant funds were used in constructing the gate and gate house without a fence.

224. In the circumstances, the University may not have attained value for money on expenditure amount of Ksh. 19,733,425.

Management Response

225. Management submitted that the University planned and budgeted for a phased construction of the Gate and Perimeter wall/fence. The University started with the construction of the Gate, 200 meters Perimeter Wall and Phase I Perimeter Chain Link Fence is now complete. The University is currently implementing a 2.8 kilometer last Phase in a bid to secure the entire University. The complete fencing of the University is

expected to be completed by November 2025 as indicated in the signed contract agreement for Phase II.

Committee Observation

226. The Committee noted that progress of the project was affected by Government policy limiting funding to only two capital projects at a time.

Committee Recommendation

228. The Committee recommends that the Ministry places an embargo on the commencement of new projects until all ongoing projects are completed to avoid spreading limited resources across multiple projects. The Ministry should therefore prioritize and provide adequate funding for the completion of existing projects before approving or initiating new capital projects.

5.1.10 Failure to Remit Pension Contributions

229. The statement of financial position and as disclosed in Note 19 to the financial statements reflects an amount of Ksh. 318,567,426 in respect of payables from exchange transaction. Further, the balance includes an amount of Ksh. 211,731,029 for payroll creditor for unremitted amount of Ksh. 130,830,357 and Ksh 6,506,621 in respect of pension fund and provident fund respectively. This is contrary to Section 53A (1) of the Retirement Benefits Act which provides that, where an employer fails to remit deductions from an employee's emoluments to a retirement benefits scheme within 15 days of the deduction, the scheme may institute proceedings for recovery of the deduction after giving the employer at least seven days' notice.

230. In the circumstances, the University is in breach of the law and risks incurring avoidable costs in form of penalties and interest.

Management Response

231. Management submitted that the pension arrears were occasioned by the last signed three (3) CBA's whose pension component was not funded. Of the Ksh. 130,830,357, the University has gradually reduced the reported pension fund by Ksh 74,948,221 to Ksh. 55,882,136. The reported Provident Fund of Ksh. 6,506,621 has since been cleared. Additionally, the University has drawn a Remedial Plan with the Pension Scheme on full settlement of the outstanding pension at a rate of Ksh. 40 million per year.

Committee Observation

232. The Committee noted that the delay in remittance exposes the University to penalties, interest, and possible legal action. However, Management explained that the arrears were partly due to unfunded pension components under the last three signed CBAs. The University has since reduced the pension arrears by Kshs. 74,948,221, leaving a balance of Kshs. 55,882,136, and has fully cleared the provident fund arrears. A Remedial Plan has also been agreed with the Pension Scheme for settlement of the outstanding balance at a rate of Kshs. 40 million per year.

Committee Recommendation

233. The Committee recommends that the University adheres strictly to statutory remittance timelines to avoid legal and financial penalties. Management should implement and monitor the agreed Remedial Plan to ensure full settlement of the outstanding pension arrears within the stipulated period, while ensuring that future deductions are remitted promptly and in compliance with the law.

5.1.11 Non-payment of Part-Time Lecturers

234. The statement of financial position and as disclosed in Note 19 to the financial statements reflects payables from exchange transactions amount of Ksh. 318,567,426 which includes an amount of Ksh. 26,518,261 owed to part time creditors, and which relates to long outstanding amounts owed to part time lecturers. This contravenes Section 17(1) of the Employment Act, 2007 which requires that an employer pays the entire amount of wages earned or payable to an employee in respect of the work done by the employee in pursuance of a contract of service directly, in the currency of Kenya.

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

Management Response

236. Management submitted that the University has since cleared all part-time outstanding obligations.

237. The University has also rationalized workloads of permanent staff by increasing teaching courses from 6 to 8 per year.

Committee Observation

238. The Committee observed that the institution has since cleared all part time outstanding obligations thus the issue is resolved.

5.1.12 Lack of an Approved Staff Establishment

239. As previously reported, review of records revealed that the University did not have an approved staff establishment. The lack of an approved staff establishment implies that the University was yet to determine the skills and optimal staffing levels required to achieve its goals and objectives
240. In circumstances, it was not possible to establish whether the total staff in the employment of the University was at the optimal operating level.

Management Response

241. Management submitted that the University has developed a draft staff establishment for relevant approvals. However, this process stalled as a result of the government establishing a Committee to review HR Instruments for all Public Universities and Constituent Colleges. The process is currently ongoing. On conclusion of this process, the generic Human Resource Instruments will be adopted by all Public Universities.

Committee Observation

242. The Committee observed that the University has developed a draft staff establishment to guide its human resource structure and operations. However, the document is yet to receive the requisite approvals, thereby delaying its formal implementation. The Committee further noted that the absence of an approved establishment may affect effective staffing, workforce planning, and overall institutional efficiency.

5.1.13 Non implementation of e-Procurement System

243. Review of procurement records during the financial year under review noted that the University did not undertake all their procurement through the e-procurement module as required by regulation 49(2) of the Public Procurement and Asset Disposal Act Regulations, 2020 which provides that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e Procurement system which is integrated to the State Portal.
244. In the circumstances, has not put in place proper system to ensure efficient coordination of procurement and disposal procedures

Management Response

245. Management submitted that the university made a request to be onboarded on the state portal, however, no report was received The University has procured an Enterprise

Resource Planning (ERP) system that facilitates e-procurement for the supply of goods, works and services.

Committee Observation

246. The Committee observed that the institution currently has a working ERP system in place thus the issue is resolved.

5.1.14 Gaps in the ICT Control Environment of Rongo University

247. During the period under review, a review of the University's identified ICT Environment revealed the following gaps which need to be addressed.

- i. There is no fire extinguisher, fire alarm or fire suppression systems in the server room;
- ii. Computers used by Rongo University employees are not protected by stable antivirus software. Some computers are using freeware antivirus software;
- iii. The ERP system used by Rongo University is not able to generate log reports and reports on access rights; and
- iv. The University does not have the licenses for the Microsoft products they are using, Microsoft Windows and Microsoft Office. The computers are bought with the applications preinstalled.

248. In the circumstances, the integrity, security and reliability of the University's financial data including its Management Information System could not be ascertained

Management Response

249. Management submitted that the critical ICT assets have been co-located at KENET to ensure security and reliability of University data. Fire extinguishers and air conditioners have been put in place at the server rooms.

250. The University has procured and installed antivirus in all the devices.

251. The University has procured an ERP system that generates log reports as well as access rights reports.

252. Licenses for Microsoft office and operating system has been procured awaiting delivery and installation.

Committee Observation

253. The Committee observed that the institution has since procured an ERP system and ICT assets, thus the issue is resolved.

5.2 Audited statements for Financial Year 2022/2023(Qualified Opinion)

5.2.1 Budgetary Control and Performance

254. The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs. 1,100,402,072 and actual receipts of Kshs. 1,109,688,127 resulting to a net surplus of Kshs. 9,286,055. Similarly, the statement reflects total budgeted expenditure of Kshs. 1,100,402,073 and actual expenditures of Kshs. 1,075,887,862 resulting to under absorption of Kshs. 24,514,210. The under-absorption may have affected the planned activities of the University.

Management Response

256. Management submitted that the University budgets are based on estimates of student numbers subject to the actual number that may be on session during the financial year. Specifically:

- i. The budgets are based on student numbers allocated by Kenya Universities and Colleges Central Placements Services (KUCCPS) which are done in May, however, the number of students that eventually report in September for the first years, may vary because of Inter-University and Inter-School transfers.
- ii. During the year, some students may differ their programmes due to varied reasons e.g. on financial, medical and other grounds thereby causing under collections of school fees. In the same regard, some students who had deferred earlier pay school fees for previous periods hence, causing over collections in some years.

257. This notwithstanding, the University has put in place measures to ensure that all revenues due to the University are collected.

258. All planned activities that were not implemented in the year they were budgeted for such as the extension of clinic are prioritized in the next budget cycle.

259. The University Management will adhere to its Annual Budget and implement it according to planned activities.

Committee Observation

260. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation. .

5.2.2 Emphasis of Matter on Unresolved Prior Year Matters

261. 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 adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

Management Response

262. The University has since addressed a number of issues raised in the previous audit. However, those that require longer time will be concluded gradually.

Committee Observation

263. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.2.3 Unsustainable Wage Bill

264. The statement of financial performance reflects employee costs Kshs. 765,867,101 as disclosed in Note 18 of the financial statements. This represents 74% of the total revenue amount Kshs. 1,032,009,750 comprising revenue from both exchange and non-exchange transactions and capital grants. This contravenes Regulation 26(1a) of the Public Financial Management Act (National Government Regulations), 2015, which limits the expenditure on wages and remuneration allowances to 35% of the total receipts.

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

Management Response

266. Management submitted that over the years, the government has signed three (3) National CBA's, resulting in increased salaries. However, funding has never been commensurate to the increments. Council has addressed this issue by doing the following:

- i. Increased work load from 6 to 8 courses per academic year per lecturer.
- ii. Reduced the number of schools from 6 to 4 and administrative offices from 33 to 26 to reduce operational expenses. The Academic Departments were also reduced from 15 to 11.

- iii. Academic Programmes that were poorly subscribed by students were also dropped.
- iv. Declared staff redundancy which resulted in laying off 107 staff members.
- v. Harmonized programs to reduce part time costs.
- vi. Establishment of IGUs i.e. Textile & Laundry.

267. Currently, the wage bill has reduced from 78% to 58%.The University is continuously monitoring the wage bill to ensure sustainability.

Committee Observation

268. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.2.4 Non-Compliance with Law on Ethnic Composition

269. During the year under review, the total number of employees in the University was three hundred and sixty two (362) out of which, two hundred and sixty one (261) or 72% were from the same/dominant ethnic community. This is contrary Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law.

Management Response

270. Management submitted that the University is an equal-opportunity employer. Non-compliance with ethnic composition was brought about by the inheritance of staff from the former Moi Institute of Technology. The University is progressively reducing the dominance of one ethnic group for example between 2012 – 2023 the number of the dominant ethnic group has dropped from 300 to 261.

271. The University has put in place measures to ensure that future recruitments address this requirement.

Committee Observation

272. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.2.5 Overdue Student Debtors

273. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 62,556,982 which includes student debtors balance of Kshs. 58,358,232, as disclosed in Note 12A to the financial statements. Review of records revealed that the student debts totaling to Kshs. 26,815,099 had been outstanding for over thirty (30) days as at the time of audit in December, 2023. This is in contravention of Section 6.3 of the University's financial management policy, revised 2019 which allows for up to 30 days grace period before payment for monthly fees and any other amount due on contractual obligations.

274. In the circumstances, Management was in breach of the University financial management policy.

Management Response

275. Management submitted that the Finance Management Policy has now been revised to allow the students to pay fees within 90 days in order to align it with the semester basis of the University. As of now, the University has reduced the debt from KSh. 58,359,232 to Ksh. 8,872,325 which translates to 85% collection of the amounts reported.

Committee Observation

276. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.2.6 Delay in completion of Library Construction

277. As previously reported, included in the University's work in progress of Kshs. 651,542,765 is an amount of Kshs. 622,455,840 relating to construction of a library as disclosed in Note 18 to the financial statements. Available records indicate the University awarded a local contractor the tender to construct a library at a contract sum of Kshs. 1,358,342,492, with a commencement date of 4 January 2019 and expected completion date of 15 January, 2021.

278. Review of records revealed that the contractor requested for extension of the contract period by one year on 12 March, 2021. However, physical verification carried out at the time of the audit in December, 2023, revealed that the project remained incomplete.

279. In the circumstances, the propriety and value for money on expenditure of Kshs. 622,455,840 could not be ascertained. Further, the delay in completion of the project has affected the library service delivery to the University community

Management Response

280. Management submitted that the Construction of the Library is a government funded project. Low funding and budget cuts have slowed down the progress of its construction. At the time of the audit, the completion rate was at 47%. Extension of contract period was granted by the University and the Contractor is on site and the value of works ongoing at 51%. The University is committed to ensure the project completion by allocating more resources from its A-I-A. as we continually seek for more funding from the Government.

Committee Observation

281. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.2.7 Delay in Completion of Fish Pond Project

282. Included in the University's work in progress of Kshs. 651,542,765 is an amount of Kshs. 1,639,316 relating to construction of a fish pond as disclosed in Note 18 to the financial statements. Available records indicate the University awarded a local contractor the tender to construct a fish pond at a contract sum of Kshs. 4,500,000.

283. However, project verification at the time of audit in the month of December, 2023 revealed that the project is behind schedule with respect to completion with certified works standing at 45% as 30 June 2023 to leading to time lapse. At the time of audit verification, the contractor was not on site an indication that the project may have stalled.

284. In the circumstances, the delay in completion of the project has affected service delivery to the University community

Management Response

285. The delay was occasioned by a dispute with the community on environmental sustainability measures. The issues were addressed and the contractor recalled to site.

Committee Observation

287. The Committee observed that the project is institutionally funded and experienced delays due to a dispute with the local community regarding environmental sustainability measures. The matter was subsequently addressed, and the contractor was recalled to site. The Committee further noted that project implementation has resumed, and the issue is considered resolved.

5.2.8 Failure to Remit Pension Contributions

288. Management submitted that the statement of financial position reflects payables from exchange transaction of Kshs. 231,235,524 which includes payroll creditors of Kshs. 179,857,554 as disclosed in Note 19b to the financial statements. Included in this is unremitted amount of Kshs. 163,776,582 in respect of pension fund. This is contrary to Section 53A (1) of the Retirement Benefits Act which provides that, where an employer fails to remit deductions from an employee's emoluments to a retirement benefits scheme within 15 days of the deduction, the scheme may institute proceedings for recovery of the deduction after giving the employer at least seven days' notice.

289. In the circumstances, the University risks incurring avoidable costs in form of penalties and compounded interest

Management Response

290. Management submitted that the Pension arrears were occasioned by the last signed three (3) CBA's whose pension component was not funded. Of the Ksh. 163,776,582, the University has gradually reduced the reported pension fund by Ksh 74,948,221 to Ksh. 88,828361. Additionally, the University has drawn a Remedial Plan with the Pension Scheme on full settlement of the outstanding pension at a rate of Ksh. 40 million per year.

Committee Observation

291. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

5.2.9 Lack of an Approved Staff Establishment

292. As previously reported, review of records revealed that the University did not have an approved staff establishment. The lack of an approved staff establishment implies that the University was yet to determine the skills and optimal staffing levels required to achieve its goals and objectives.

293. In circumstances, it was not possible to ascertain whether the total staff in the employment of the University was at the optimal operating level.

Management Response

295. Management submitted that the University has developed a draft staff establishment for relevant approvals. However, this process stalled as a result of the government establishing a committee to review HR Instruments for all Public Universities and Constituent Colleges.

The process is currently ongoing. On conclusion of this process, the generic Human Resource Instruments will be adopted by all Public Universities.

Committee Observation

296. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

5.3 Audited statements for Financial Year 2023/2024 (Qualified Opinion)

5.3.1 Misstatement of Property, Plant and Equipment (P.P.E.) Balance

297. The statement of financial position reflects property, plant and equipment balance of Kshs. 2,216,969,957 as disclosed in Note 17 to the financial statements. Includes building work in progress balance of Kshs. 699,114,968 which, as disclosed in Note 18 to the financial statements, includes a balance of Kshs. 7,476,123 in respect of the extension of clinic. However, review of documents revealed that the contract sum was Kshs. 7,875,994 which had been fully paid as at 30 June, 2024. The resultant variance of Kshs. 399,871 has not been reconciled or explained with documentary evidence.

298. Similarly, the balance of Kshs. 699,114,968 includes Kshs. 9,801,305 in respect of graduation pavilion whose contract was awarded at a contract sum of Kshs. 9,901,305 which was fully paid as at 30 June, 2024. The resultant variance of Kshs. 100,000 has not been explained or reconciled.

299. In the circumstances, the accuracy and fair presentation of the property, plant and equipment balance of Kshs. 2,216,969,957 could not be confirmed.

Management Response

300. Management submitted that as disclosed in Note 18 on work in progress, the extension of clinic had been paid Kshs 7,476,123 as at 30th June 2024 and had a few snags to be attended to thus the final payment of Kshs 399,871 had not been released to the contractor. The payment has since been made.

301. As disclosed in Note 18 on work in progress, the graduation pavilion had been paid Kshs 9,801,305 as at 30th June 2024 and there were snags to be attended to and thus the final payment of Ksh. 100,000 had not been paid to the contractor. The payment has since been made after the contractor cleared the pending works.

Committee Observation

302. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

5.3.2 Budgetary Control and Performance

303. The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis amounts of Kshs. 936,213,922 and Kshs. 1,308,659,392 respective, resulting in over collection of revenue of Kshs. 372,445,471. Further, the University spent Kshs. 1,287,311,418 out of the actual income of Kshs. 1,308,659,393, resulting in under-utilization of funds by Kshs. 21,349,975 or 2% of the actual income.

304. The over collection of revenue may be an indication of lack of accurate forecast of revenue, while the under-utilization may have adversely affected service delivery to the public.

305. My opinion is not modified in respect of this matter.

Management Response

307. Management submitted that the University budgets are based on estimates of student numbers subject to the actual number that may be on session during the financial year. Specifically:

- i. The budgets are based on student numbers allocated by Kenya Universities and Colleges Central Placements Services (KUCCPS) which are done in May, however, the number of students that eventually report in September for the first years, may vary because of Inter-University and Inter-School transfers.
- ii. During the year, some students may differ their programmes due to varied reasons e.g. on financial, medical and other grounds thereby causing under collections of school fees. In the same regard, some students who had deferred earlier pay school fees for previous periods hence, causing over collections in some years.

308. This notwithstanding, the University has put in place measures to ensure that all revenues due to the University are collected.

309. All planned activities that were not implemented in the year they were budgeted for such as Master Plan are prioritized in the next budget cycle.

310. The University Management will adhere to its Annual Budget and implement it according to planned activities.

Committee Observation

311. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.3 Prior Year Matters

312. As indicated in the Implementation Status of Auditor-General's Recommendations section of the financial statements, various prior year audit issues had been resolved as at 30 June, 2024. However, Management has not provided evidence of how the issues were resolved. Further, various other issues remained unresolved as 30 June, 2024, and Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues

Management Response

313. Management submitted that the University has since addressed a number of issues raised in the previous audit. However, those that require longer time will be concluded gradually.

Committee Observation

314. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.4 Climate Change Regulations

316. Review of records and discussions with Management revealed that Rongo University has integrated climate change regulations and action plans into its operations, including implementing a Green Energy Policy, using solar energy, launching afforestation programs with a target of planting and growing 130,000 trees annually, and enhancing waste management with the goal of reducing of greenhouse gas emissions. However, most of these targets, particularly the afforestation goal, were not met, with only 9200trees planted during the year under review. Additionally, the University lacks mechanisms to report sectoral greenhouse gas emissions. Monitoring and review mechanisms for climate performance were also absent, and there was no evidence that the University promotes public participation and consultation in developing climate change strategies and policies

Management Response

317. With regard to establishing protocols to ensure timely and accurate reporting of greenhouse gas emissions, the University has appointed a Committee to develop Energy Management Policy

318. With regard to allocation of resources, the University has appointed a qualified personnel to streamline climate-related actions across sectors.
319. To create a structured monitoring and review framework to regularly evaluate performance on climate mandates, the University has set clear targets in the Performance Contract. Performance Contract monitors the implementation of the climate mandate which is tabled in Management, Council and the line ministry on quarterly basis.
320. The University planted 9200 trees.

Committee Observation

321. The Committee observed that the institution has since operationalized its climate change regulations thus the issue is resolved.

5.3.5 Unaccounted for Research Grants

322. The statement of financial performance reflects revenue from exchange transactions amount of Kshs. 793,445,471 which, as disclosed in Note 4 to the financial statements, includes research income of Kshs. 44,634,982. This amount was in addition to the Kshs. 34,770,902 received in the previous two (2) financial years, bringing the total research income in three (3) years to Kshs. 79,405,884. Out of this amount Kshs. 72,965,294 has been supported by documents showing research works done and details of the outcomes of the concluded research over the last three years. Documents supporting research works in respect of the balance of Kshs. 6,440,590 have not been provided for audit.
323. In the circumstances, the value for money realized from the utilization of the research grants of Kshs. 6,440,590 could not be confirmed.

Management Response

324. Management submitted that these are conditional grants utilized for the intended purpose as per the grant agreements. The amount of Kshs 6,440,590 has now been settled as per the attached schedule and support documentation.

Committee Observation

325. The Committee observed that the conditional grants were utilized for the intended purpose as verified by the Auditor General thus the issue is resolved.

5.3.6 Long Outstanding Trade Payables

326. Total trade and other payables balance of Kshs. 388,072,222 as disclosed in the ageing analysis at Note 19c to the financial statements, includes balances totaling Kshs.

273,815,624 that had been outstanding for more than a year. This was contrary to Regulation 42(1) of the Public Finance Management (National Government) Regulations, 2015, which states that debt service payments shall be a first charge and the Accounting Officer shall ensure this is done to the extent possible that the entity does not default on debt.

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

Management Response

328. Long outstanding trade payables is majorly comprised of pension of Kshs 219,016,904 which was occasioned by the CBA'S that were not fully funded and inadequate funding from the exchequer. Additionally, caution money worth Ksh. 8,113,000 is only payable upon a student completing their four-year study programme. Ksh. 22,255,686 is retention money that will be paid when respective projects are complete. Ksh. 24,430,034 are school fees received in advance that will be utilized once students are invoiced for the subsequent semesters.

Committee Observation

329. The Committee observed that the payables were occasioned by pensions which was occasioned by the CBA'S that were not fully funded and inadequate funding from the exchequer.

Committee Recommendation

330. The Committee recommends that management should prioritize settlement of the outstanding pension obligations in accordance with the agreed remedial plan, while strengthening internal financial planning and expenditure controls to ensure compliance with statutory remittance requirements and promote financial sustainability.

5.3.7 Failure to Remit Pension Contributions

331. Note 19b reflects a balance of Kshs. 219,016,904 in respect of payroll creditors which represents unremitted pension deductions. This was contrary to Section 53A (1) of the Retirement Benefits Act, revised 2012, which requires an employer to remit deductions from an employee's emoluments to a retirement benefits scheme within 15 days of the deduction.

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

Management Response

333. Pension arrears were occasioned by the last signed three CBA's whose pension component was not funded. The University has gradually reduced the reported pension fund from Ksh. 219,016,904 to Ksh. 144,068,682. Additionally, the University has drawn a remedial plan on full settlement of the outstanding pension at a rate of Ksh. 40 million per year.

Committee Observation

334. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.7.1 Non-Compliance with the Public Finance Management Fiscal Responsibility Principles on Compensation of Employees

335. The statement of financial performance reflects employee costs amount of Kshs. 756,975,679 representing 58% of the University's total revenue of Kshs. 1,308,659,393, which exceeded the limit of thirty-five percent (35%) set by in Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations 2015. The high wage bill is an indication that most of the University's resources are spent on staff salaries at the expense of development projects and thus impacting negatively on service delivery.

336. In the circumstance, Management was in breach of the law, and this situation if allowed to continue may negatively impact the University from achieving its development objectives.

Management Response

337. In an effort to address the wage bill, the University:

- a) Laid off 107 staff in order to reduce the wage bill.
- b) The University will gradually resolve this through natural staff attrition and controlled staff recruitment based on approved staff establishment.

Committee Observation

338. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.8 Non-Compliance with the Law on Ethnic Composition in Staffing

339. Review of the staff data provided revealed that the University had three hundred and fifty-five (355) employees out of which, two hundred and fifty-five (255) or 72% belong to the dominant ethnic community. This was contrary to Section 7 of the National Cohesion

and Integration Act, 2008, which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. No public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

340. The University is an equal-opportunity employer. Non-compliance with ethnic composition was brought about by the inheritance of staff from the former Moi Institute of Technology.
341. The University is progressively reducing the dominance of one ethnic group for example between 2012 –2023 the number of the dominant ethnic group has dropped from 352 to 255.
342. The University has put in place measures to ensure that future recruitments address this requirement.

Committee Observation

343. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.9 Delay in Completion of Library Construction

344. The building work in progress (WIP) balance of Kshs. 699,114,968 includes Kshs. 644,540,129 in respect of library. Review of records revealed that the University awarded a local contractor the tender to construct a library at a contract sum of Kshs. 1,358,342,492, with a commencement date of 4 January, 2019 and expected completion date of 15 January, 2021 which was later extended to 5 February, 2025. However, review of the contract documents and project verification revealed that the certified works was at 49% as at 12 November, 2024 and the contractor was not on site. Management has indicated that the slow progress of the project has been occasioned by inadequate funds from the National Government.
345. In the circumstances, the value for money realized from the expenditure of Kshs. 644,540,129 on the contract could not be confirmed.

Management Response

346. Construction of the Library is a government funded project. Low funding and budget cuts have slowed down the progress of its construction. At the time of the audit, the completion rate was at 47%. Extension of contract period was granted by the University and the

Contractor is on site and the value of works ongoing at 51%. The University is committed to ensure the project completion by allocating more resources from its A-I-A. as we continually seek for more funding from the Government.

Committee Observation

347. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.10 Delay in Completion of Fish Ponds Project

348. The Kshs. 699,114,968 includes fish pond work in progress balance of Kshs. 1,639,316. A review of the contract documents and project verification revealed that the University awarded the project to a local contractor to construct a fish pond at a contract sum of Kshs. 4,500,000. However, review of records and project verification revealed that the project was behind schedule with respect to completion, with certified works standing at 45% as at 12 November, 2024. At the time of audit, the contractor was not on site, which Management has attributed to a dispute with the local community on environmental sustainability measures. Management has indicated that the dispute has since been resolved.

349. In the circumstances, the value for money of the expenditure of Kshs. 1,639,316 on the contract could not be confirmed.

Management Response

350. The delay was occasioned by a dispute with the community on environmental sustainability measures. The issues were addressed and the contractor recalled to site.

Committee Observation

351. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.3.11 Lack of Monitoring and Evaluation Reports

352. Management did not provide documentary evidence of project status reports on non-financial performance for each individual program undertaken by the University. Further there was no documentary evidence provided indicating development and approval of systems to monitor and report on non-financial performance. In addition, no evidence was provided to show that the project status reports on non-financial performance for each individual program were submitted to the Cabinet Secretary and a copy sent to the Auditor-General. This was contrary to Regulation 136(3) of the Public Finance Management

(National Governments) Regulations, 2015, which states that an accounting officer shall put in place efficient and effective systems to monitor and report on non-financial performance for his or her national government entity's individual programmes and projects based on the prescribed format under paragraphs (1) and (2) and submit a report to the Cabinet Secretary responsible for planning with a copy to the Auditor-General.

353. In the circumstances, management was in breach of the law.

Management Response

354. The University has appointed a Contract Implementation Team that monitors and reports on non-financial performance of University projects. These reports are submitted to Council and National Treasury (through GIMIS) on quarterly basis and annually in the format prescribed by PSASB.

Committee Observation

355. The Committee observed that the University has appointed a Contract Implementation Team that monitors and reports on non-financial performance of University projects.

Committee Recommendation

356. The Committee recommends that Management continues to strengthen project monitoring and ensure timely submission of accurate reports to enhance transparency, improve project performance, and support effective oversight by the Council and the relevant Government authorities.

5.4 Audited statements for Financial Year 2024/2025

5.4.1 Budgetary Control and Performance

357. The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount on comparable basis of Ksh 1,503,865,584 and Ksh 1,794,814,789 respectively, resulting in an over performance of Ksh 290,949,205 or 19% of the budget. The overperformance is attributed to over collection in AIA which was not subjected to supplementary budget.

358. The overperformance in AIA may be an indication of lack of accurate forecast of revenue

Management Response

359. The implementation of the New Funding Model was delayed hence some students were banded way later after the supplementary budget in April, 2025. This affected the budget planning hence the respective income for some of the affected students was received

towards the end of the financial year. Consequently, the University was unable to incorporate the financial support from UFB accurately into the supplementary budget.

360. The University received Ksh 51,740,736 to settle arrears under the 2021–2025 Collective Bargaining Agreement (CBA), which was not part of the budget, and these resulted to overcollection of revenue.

Committee Observation

361. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.4.2 Unresolved Prior Year Matters

362. In the Audit Report of 2023/2024 Financial Year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the following issues or given any explanation for failure to resolve them;

S/No.	Financial Year	Audit Issue
1	2023/2024	Climate Change Regulations
2	2023/2024	Long Outstanding Trade Payables
3	2023/2024	Non-Compliance with Fiscal Responsibility Principles on Compensation of Employees
4	2023/2024	Non-Compliance with the Law on Ethnic Composition in Staffing

363. Non-implementation of the previous audit recommendations implies anomalies noted during audit might have continued to recur, hence affecting the operational efficiency of the Fund.

5.4.3 Climate Change Regulations

364. Review of records and discussions with Management revealed that Rongo University has integrated climate change regulations and action plans into its operations, including implementing a Green Energy Policy, using solar energy, launching afforestation programs with target of planting and growing 130,000 trees annually, and enhancing waste management with the goal of reducing of greenhouse gas emissions. However, most of these targets, particularly the afforestation goal, were not met, with only 9,200 trees planted during the year under review. Additionally, the University lacks mechanisms to report

sectoral greenhouse gas emissions, Monitoring and review mechanisms for climate performance were also absent, and there was no evidence that the University promotes public participation and consultation in developing climate change strategies and policies.

Management Response

365. The management reported that-

- a) With regard to establishing protocols to ensure timely and accurate reporting of greenhouse gas emissions, the University has developed the Energy Management Policy.
- b) With regard to allocation of resources, the University has appointed qualified personnel to streamline climate-related actions across sectors.
- c) To create a structured monitoring and review framework to regularly evaluate performance on climate mandates, the University has set clear targets in the Performance Contract. Performance Contract monitors the implementation of the climate mandate which is tabled in Management, Council and submitted to line ministry on quarterly basis.
- d) The University planted 6000 trees and propagated 25,000 seedlings in quarter 1 of the 2025/26 FY, and projecting to propagate 100,000 seedlings by June 2026.

Committee Observation

366. The Committee observed that the prior year audit matters had been discussed by the committee and reiterates its recommendations.

5.4.4 Long Outstanding Trade Payables

367. Total trade and other payables balance of 388,488,825 as disclosed in the ageing analysis at Note 19c to the financial statements, includes balances totaling Ksh. 273,815,624 that had been outstanding for more than a year. This was contrary to Regulation 42(1) of the Public Finance Management (National Government) Regulations, 2015, which states that debt service payments shall be a first charge and the Accounting Officer shall ensure this is done to the extent possible that the entity does not default on debt.

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

Management Response

369. Long outstanding trade payables is majorly comprised of pension of Ksh. 219,016,904 which was occasioned by the CBA's that were not fully funded and inadequate funding from the exchequer. The University has a payment plan which has since reduced pension

money owed to Moi University from Ksh. 219,016,904 to Ksh.148,449,438 by the 2nd quarter of 2025/26 FY and continues to honor the plan.

Period	Amount Paid
2023/2024	38,000,000
2024/2025	50,402,058
2025/2026	20,000,000

370. The plan has a structured repayment schedule developed in consultation with the Pension Scheme to fully settle the outstanding pension at a rate of Ksh. 40m per year and will be cleared by 2027/2028 FY.

Committee Observation

371. The Committee observed that the University had developed a repayment schedule in consultation with the Pension Scheme to fully settle the outstanding pension at a rate of Ksh. 40m per year and would clear by the Financial Year 2027/2028 FY.

Committee Recommendation

372. The Committee recommends that the Office of the Auditor General should report progress in subsequent audits.

5.4.4.1 Non-Compliance with Fiscal Responsibility Principles on Compensation of Employees

373. The statement of financial performance reflects employee costs amount of Ksh. 756,975,679 representing 58% of the University’s total revenue of Ksh. 1,308,659,393, which exceeded the limit of thirty five percent (35%) set by in Regulation 26(1) (a) of the Public Finance Management (National Government) Regulations 2015. The high wage bill is an indication that most of the University’s resources are spent on staff salaries at the expense of development projects and thus impacting negatively on service delivery.

374. In the circumstance, Management was in breach of the law, and this situation if allowed to continue may negatively impact the University from achieving its development objectives.

Management Response

375. The University is gradually reducing the wage bill percentage to achieve the limit prescribed in the PFM Act by 2028. The university was at 50.3%

(903,608,180/1.794,814,789), as at 30th June 2025 and is working to gradually resolve this through natural staff attrition and controlled staff recruitment based on staff establishment.

Committee observation

376. The Committee observed that the University was making gradual steps to reduce the wage bill and bring it to the prescribed levels in law.

Committee Recommendation

377. The Committee recommends that the Accounting Office should ensure compliance with Regulation 26(1) (a) of the Public Finance Management (National Government) Regulations 2015 by the end of the Financial Year 2027/2028

5.4.5 Non-Compliance with the Law on Ethnic Composition in Staffing

378. Review of the staff data provided revealed that the University had three hundred and fifty-five (355) employees out of which, two hundred and fifty-five (255) or 72% belong to the dominant ethnic community. This was contrary to Section 7 of the National Cohesion and Integration Act, 2008, which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. No public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

379. The University is an equal opportunity employer. Non-compliance with staff diversity was brought about by inheritance of staff from the former Moi Institute of Technology. The University is progressively reducing the dominance of one ethnic group for example between 2012 – 2026 the number of the dominant ethnic group has dropped to 71% from 72% in 2023/24. The University has put in place measures to ensure that future recruitments address this requirement.

Committee observation

380. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.4.6 Non-Compliance with Fiscal Responsibility Principle on Employee Cost

381. The statement of financial performance as disclosed in note 5 to the financial statement reflects Ksh. 903,608,180 in respect to employee costs. This amount represents 50% of the University's total revenue of Ksh. 1,794,814,789 which exceeded the limit of thirty-five percent (35%) set by in Regulation 26(1)(a) of the Public Finance Management (National

Government) Regulations 2015. The high wage bill is an indication that most of the University's resources are spent on staff salaries at the expense of the development projects and thus impacting negatively on service delivery. In the circumstance, Management was in breach of the law.

Management Response

382. In 2024/25 The University's wage bill was at 50%. The University currently is set to achieve 49% as per the budget and will gradually resolve this through natural staff attrition and controlled staff recruitment based on approved staff establishment.

Period	% wage bill on total revenue
2022/2023	74
2023/2024	58
2024/2025	50
2025/2026	49

Committee observation

383. The Committee observed that the matter has been addressed in the previous financial years and reiterates its recommendations.

5.4.7 Non-Compliance with Provisions on Staff Diversity and Gender Balance

384. Review of the staff data provided revealed that the University had four hundred and twenty-four (424) employees out of which three hundred and seven (307) or 72.6% belong to the dominant ethnic community. This was contrary to Section 7 of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. No public establishment shall have more than one third of its staff from the same ethnic community. Further on gender inclusivity, for the senior management in job group 10 to 15 with a total staff population of 135, the gender representation is 98 male and 37 female which is below the one third gender requirement for female on senior post. This was contrary to Article 27(8) of the constitution of Kenya. In the circumstance, Management was in breach of the law.

Management Response

385. The University is an equal opportunity employer. Non-compliance with staff diversity was brought about by inheritance of staff from the former Moi Institute of Technology. The

University is progressively reducing the dominance of one ethnic group for example between 2012 – 2026 the number of the dominant ethnic group has dropped to 71% in 2024/2025 from 72% in 2023/24. The University has put in place measures to ensure that future recruitments address this requirement.

386. On gender inclusivity, the University is committed to aligning its staffing practices with the legal requirements and values of national cohesion, inclusivity, and equality. Corrective measures are being put in place to ensure compliance going forward.

Committee observation

387. The Committee observed that the matter has been addressed in the previous financial years and reiterates its recommendations.

5.4.8 Lack of Retention Bank Account

388. The statement of financial position and as disclosed under note 22 to the financial statements reflects retention to the contractors' balance of Ksh. 20,191,619 which were deducted from payments to the contractor in respect to construction for the University. However, the deducted sum was not deposited into a retention bank account since the University does not operate one for efficient and effectiveness of managing the deposits.

389. In the circumstances, the effectiveness in the management of the retention fees could not be confirmed.

Management Response

390. Management submitted that the university has one account for projects where retention money is deposited, the university initiated the process of opening a separate retention account and an approval was granted on 26th of last month. The process of opening the account is underway.

Committee Observation

391. The Committee observed that the University reported having initiated the process of opening a separate retention account.

Committee Recommendation

392. The Committee recommends that the Office of the Auditor General should confirm compliance in the subsequent audit.

5.4.9 Property, Plant and Equipment

393. The statement of financial position reflects the Property, Plant and Equipment balance of Ksh. 2,303,765,667 as disclosed in Note 17 and 18 to the financial statements. The balance includes building Work in Progress (WIP) balance of Ksh. 803,636,586. However, the following unsatisfactory matters were noted:

5.4.10 Delay in Completion of Library

394. The building Work in Progress (WIP) balance includes Ksh. 713,708,062 in respect of library construction. As previously reported, the University awarded a local contractor the tender to construct a library at a contract sum of Ksh. 1,358,342,492, with a commencement date of 4th January, 2019 and expected completion date of 15 January, 2021 which was later extended to 5th February, 2025. However, review of the contract documents and project verification revealed that the certified work was at 49% as at 12th November 2024. Management during the year paid Ksh. 69,167,933. However, the library is still incomplete and the status of completion has not been provided for the audit review.

395. In the circumstances, the value for money on the expenditure of Ksh. 713,708,062 on the library has not been realized with the delays in completion.

Management Response

396. The library is a government funded project. Low funding and budget cuts have slowed down the progress of its completion. At the time of the audit, the completion rate was at 49%. Extension of contract period was granted by the University and the Contractor is on site and the value of work is at **54%**. **The University is committed to ensure the project completion and has allocated funds** from its A-I-A as we continually seek for more funding from the Government. In the 2025/26 FY the government directed the University to fund the ongoing library works from AIA. The project funding from FY 2023-2024 has been as follows:

Period	Amount Allocated in Ksh	
	Gok	AIA
2021/2022	55,000,000	-
2022/2023	59,145,972	-
2023/2024	5,000,000	-
2024/2025	0	-
2025/2026	0	130,000,000

Committee Observation

397. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

5.4.11 Delay in Completion of Fish Pond Project

398. Included in the balance is Ksh. 1,639,316 in respect of botanical garden. As previously reported and project verification undertaken during the audit revealed that the University awarded the project to a local contractor to construct a fish pond at a cost of Ksh. 4,500,000. However, a review of the records and project verification undertaken during the audit revealed that the project was behind schedule with respect to completion, with certified works standing at 45% as at 2nd September 2025 and the contractor was not on site. Management has attributed the situation to a dispute with the local community on environmental sustainability measures. Management indicated that the dispute has since been resolved in the prior year. However, no work on the project was done by the contractor in the year under review.

399. In the circumstances, the value for money on the expenditure of Ksh. 1,639,316 on the fish pond project may not be realized.

Management Response

400. Management submitted that the delay was occasioned by a dispute with the community on environmental sustainability measures. The University Council approved change of user from the Fish Pond project to Botanical Garden and the university is in the process of engaging an expert to design the Botanical Garden which will be used for teaching and research. A Committee was constituted to come up with the Master Plan for the project.

Committee Observation

401. The Committee observed that the University Council approved a change of user from the Fish Pond project to Botanical Garden due to a longstanding dispute with the community on environmental sustainability measures.

Committee Recommendation

402. The Committee recommends that the Accounting Officer should ensure that value for money is realized on the project.

5.4.12 Long Outstanding Non-Current Payables from Exchange Transactions

403. The statement of financial position reflects non-current payables from exchange transactions balance of Ksh.195,600,082 as disclosed under Note 19(b) to the financial statements. The balance includes an amount of Ksh. 168,499,438 which has been long outstanding since 2017 contrary to the provisions of Regulation 42(1) of the PFM (National Government) Regulations, 2015 require Debt service payments to be a first charge the Accounting Officer shall this is done to the extent possible that the entity does not default on debt.

404. In the circumstance, there is risk of incurring penalties and interest with the continued delay in the settlement of the long outstanding non-current payables from exchange transactions.

Management Response

405. Long outstanding trade payables is majorly comprised of pension of Ksh. 168,449,438 which was occasioned by the CBA’s that were not fully funded and inadequate funding from the exchequer. The University has reduced pension money owed to Moi University from Ksh. 168,449,438 to Ksh.148,449,438 by the 2nd quarter of 2025/26 FY and continuous to honor the plan. The University has a debt resolution plan with a structured repayment schedule developed in consultation with the Pension Scheme, on full settlement of the outstanding pension at a rate of Ksh. 40m per year. Repayments have been done as follows:

Period	Amount Paid
2023/2024	38,000,000
2024/2025	50,402,058
2025/2026	20,000,000

- i) Caution money worth Ksh. 8,113,000 is only payable upon a student completing their four-year study programme. For FY 24/25 Ksh 1,604,000 has been paid.
- ii) Retention money of Ksh. 22,255,686 is payable when respective projects are complete, of that amount Ksh5,771,962 has been paid reducing it to Ksh16,483,724
- iii) Advance school fees received of Ksh 24,430,034 are utilized once students are invoiced for the subsequent semesters.

Committee Observation

406. The Committee observed that the University has reduced pension money owed to Moi University from Ksh. 168,449,438 to Ksh.148,449,438 by the 2nd quarter of the Financial Year 2025/26 and continuous to honor the plan.
407. The University has a debt resolution plan with a structured repayment schedule developed in consultation with the Pension Scheme, on full settlement of the outstanding pension at a rate of Ksh. 40 m per year.

Committee Recommendation

408. The Committee commends the University for its efforts made in reducing the payables and recommends that the management adhere to the plan until full payment.

5.4.13 Weak Controls over Inventory and Assets Management

409. Records provided for audit revealed that the management did not carry out stock take on a quarterly basis and no inventory policy has been developed contrary to the provisions of Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 states that the head of procurement function should arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer. Further, the University has not yet implemented inventory management software to automate and streamline the record-keeping processes.
410. In the circumstances, the effectiveness of controls over inventory and asset management procedures could not be confirmed.

Management Response

411. Management is committed to full compliance with statutory requirements and to strengthening internal controls over inventory and asset management. The corrective measures outlined below will ensure the effectiveness of controls and adherence to governing laws:

a. Quarterly Stock-Taking

412. The University management has instituted a schedule for quarterly and annual stock-taking exercises beginning in the current financial year. The Procurement Department has been directed to ensure strict adherence to this schedule, with reports submitted to the Accounting Officer as required by law.

b. Inventory Policy

413. A comprehensive inventory policy has been developed and it outlines the procedures for stock-taking and reporting, and is be aligned with the provisions of the Public Procurement and Asset Disposal Act, 2015.

c. Inventory Management System

414. The ERP system that was purchased has a Procurement Module which includes inventory management sub module within it. Implementation is ongoing and once this is fully done it will enhance accuracy, streamline record-keeping, and strengthen internal controls over inventory and asset management.

d. Strengthening Controls

415. In the interim, manual controls have been reinforced, including periodic spot checks, reconciliation of stock records, and enhanced oversight by the Procurement Department. These measures are intended to ensure accountability and safeguard University assets until the automated system is fully operational.

Committee Observation

416. The Committee observed that the management has put in place appropriate measures and policies to address issues raised during audit and the matter is adequately addressed and resolved.

6.0 PWANI UNIVERSITY

417. Prof James Kahindi, Vice Chancellor, accompanied by;

- i. Prof. Mohamed Rajab-Former VC
- ii. Mr. James Mwaringa- Finance Officer
- iii. Ms. Zuleha Kadima – Procurement Officer
- iv. Mwinyi Ali – Former Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Pwani University, on 13th November 2024, 26th November 2025 and on 10th February 2026.

6.1 Audited Financial Statements for the Financial Year 2018/2019 (Qualified Opinion)

6.1.1 Going Concern

418. The statement of comprehensive income for the year ended 30 June, 2019 reflects a deficit of Kshs.41,024,000, resulting in accumulated surplus of Kshs.168,764,000 down

from Kshs.209,788,000 reported in year 2017/2018. Further, the current liabilities balance of Kshs.420,608,000 exceeded the current assets balance of Kshs.345,218,000, resulting in a negative working capital of Kshs.75,390,000 as at 30 June, 2019. Under the circumstances, the financial statements have been prepared on a going concern basis.

419. If measures are not put in place to reverse the trend, the University is likely to face financial challenges in future.

Management Response

420. Management submitted that it agreed with the audit observation on deficit and surplus reduction. negative working capital contributed by the non-disbursement of the development budget of Kshs. 106,965,242 and tax asses.

421. The Institution has developed several market driven programmers and enhanced student enrolment from 7,328 in 2018 to 8,541 in 2024. The University is confident that the Student-Centred New Funding Model will enhance the liquidity of the University at the short run.

Committee Observation

422. The committee observed that Management had not demonstrated how to reorganize the statement of financial position to reverse the trend.

Committee Recommendations

423. The Committee recommends that the Accounting Officer should explore other income generating programs to supplement the institutions income and reduce overreliance on government funding. The Committee further recommends that the National Treasury should ensure timely and adequate disbursement of capitation funds to minimize accumulation of receivables.

6.1.2 Land

424. As reported previously, included in the property, plant and equipment figure of Kshs.1,687,895,000 is land valued at Kshs.116,045,000. This includes an un-surveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000. However, information availed for audit review indicated that the University is yet to obtain the title deed for the parcel of land.

425. Consequently, the ownership of land balance of Kshs.116,045,000 as at 30 June, 2019 could not be confirmed.

Management Response

426. Management submitted that property, plant and equipment balance of of KShs.1,687,895,000 includes land valued at KShs.116,045,000 out of which 234 hectares with a cost of Kshs.47,000,000 was surveyed and confirmed to 244 hectares and Certificate of title No. CR.82977, Lease to the land and deed plan obtained.

Committee Observation

427. The committee observed that a Certificate of title, lease and deed plan copies were provided and reviewed by the OAG and the matter is thus resolved.

6.1.3 Fully Depreciated Assets

428. The statement of financial position reflects property, plant and equipment balance of Kshs.1,687,895,000. Included in the assets register are three thousand and fifty-nine (3,059) assets worth Kshs.252,043,000 whose net book value is Nil. The assets have not been revalued to reflect their fair carrying value in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) 17.

429. In the circumstance, the value of the property, plant and equipment may be understated.

Management Response

430. Management submitted that the PPE balance of KShs.1,687,895,000 includes three thousand and fifty-nine (3059) assets with a cost of KShs.252,043,000 whose net book value is nil.

431. A Board of Survey for classes of fixed assets with zero values reports submitted on for the year ended 30th June 2022 and Automobile Association (AA) -Kenya revalued all motor vehicles on 1st March 2022 and a report issued. The adjustments were made in the books of accounts.

Committee Observation

432. The Committee observed that the revaluations reported in financial statements for 2020 (Kshs. 51,254,000) and financial statements for 2021 (Kshs. 109,863,000) were not supported by a corresponding list of the 3,059 assets.

Committee Recommendations

433. The Committee recommends that the Accounting Officer henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time.

Going forward, the committee will not allow submission of documents to the OAG outside the audit cycle without justification.

6.1.4 Student Debtors

434. Reflected under Note 22 to the financial statements is student debtors amounting to Kshs.73,955,000 out of which debtors amounting to Kshs.18,248,439 related to institutional-based programme for the year 2018/2019. The programme is being phased out by the University and the recoverability of these debts is in doubt. The University Management had not made provisions for doubtful debts relating to the account.
435. In the circumstances, recoverability of student debtors balance of Kshs.73,955,000 is in doubt.

Management Response

436. Management submitted that the institution-based programme students transferred to the regular programme and a debt Kshs. 9,256,812.50, leaving a balance of Kshs.8,991,626.50 outstanding. As of 30th June 2024, the debt stands at KShs 32,936,000 from KShs.73,955,000 in 30th June 2019. A provision for doubtful debts of 5% of Kshs 73, 955. 000 or Kshs.3,698,000 made in Note 22 to the financial statements.

Committee Observation

437. The committee observed that management did not provide a movement schedule to confirm the completeness of the balance.

Committee Recommendations

438. The Committee recommends that the Accounting Officer provide the student debtor movement schedule and henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. Going forward, the committee will not allow submission of documents to the OAG outside the audit cycle without justification.

6.1.5 Other Debtors

439. Reflected under Note 22 to the financial statements for the year ended 30 June, 2019 is other debtors balance of Kshs.4,308,000. This includes an amount of Kshs.134,358 relating to former staff. It is not clear and the Management has not explained why the dues were not recovered prior to clearance of the officers.
440. Consequently, the recoverability of Kshs.134,358 owed by former staff is in doubt.

Management Response

441. Management submitted that the Kshs.134,358 is imprest owed by five (5) former staff members who left service without notice period. The University recovered the amounts from the 2013-2017 CBA arrears

Committee Observation

442. The committee observed that the university recovered the imprest owed by the five former staff and the matter is thus resolved.

6.1.6 Revenue from Rendering Services

443. The statement of financial performance reflects Kshs.363,417,000 in respect of revenue from rendering services. Included in this balance is tuition fees revenue amount of Kshs.225,122,000 comprising Kshs.90,235,000 for Joint Admission Board and Kshs.134,887,000 for self-sponsored programme. However, audit examination of ledger revealed that tuition fees revenue was recognized based only on students who paid the tuition fees instead of registered students for the semesters. This is contrary to International Public Sector Accounting Standard (IPSAS) No. 9 which provides that revenue is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. The accounting treatment also violates the University's own policy on recognition of revenue from rendering services which states that, "student fees are recognized when the student register for semester".
444. Consequently, the accuracy and completeness of revenue from rendering services figure of Kshs.363,417,000 for the year ended 30 June, 2019 could not be confirmed.

Management Response

445. Management submitted that the revenue is accrued when a student registers for the semester, registers for courses and signs the nominal roll. All fully registered students were recognized resulting to total revenue of Kshs. 363,417,000 in line with International Public Sector Accounting Standard (IPSAS) No. 9. This resulted in to cumulative student debtor balance of Kshs. 73,955,000 reflected under note 22 which includes student debts for 2018-2019 FY.

Committee Observation

446. The Committee observed that management complied with a significant Accounting Policy 4(ii)(a), whereby student fees are recognized upon semester registration, and provided the accompanying schedules; the matter is therefore resolved.

6.1.7 Student Fees

447. Included in the trade and other payables balance of Kshs.403,294,000 is student fees amount of Kshs.49,030,000, which relates to fees paid in advance. The student fees include an amount of Kshs.7,020,522 owed to students who registered between the period 2008 and 2013 and who were supposed to have graduated. It is not clear why the fee was not refunded upon clearance or why it was not absorbed as part of the fees for courses taken.

448. As a result, the accuracy, completeness and obligation of student fees of Kshs.7,020,522 as at 30 June, 2019 could not be ascertained.

Management Response

449. Management submitted that fee payment is guided by the student fee payment policy.

Committee Observation

450. The committee observed that the current status of kshs.49,030,000 was not supported by the schedule.

Committee Recommendations

451. The committee recommends that the Accounting Officer should always comply with Regulation 100 of the Public Finance Management (National Government) Regulations, 2015 which requires public entities to maintain proper accounting records and supporting documentation for all financial transactions, ensuring accuracy, transparency, and accountability in financial reporting.

6.1.8 Other Liabilities

452. The trade and other payables balance of Kshs.403,294,000 includes other liabilities amount of Kshs.157,653,000. The other liabilities balance includes unallocated receipts amount of Kshs.19,472,000 which Management has attributed to insufficient details of the beneficiaries. As a result, revenue from rendering services is understated while student debtors are overstated by Kshs.19,472,000 for the year ended 30 June, 2019.

453. It was not clear why the conditional grants were recognized as liabilities whereas there was no evidence that either the grant condition had been violated or the amounts related to

unspent balances from completed projects and which are supposed to be refunded to the donors/sponsors.

Management Response

454. Management submitted that Kshs. 74,460,000 was treated as an asset and a liability.

Committee Observation

455. The committee observed that the conditional grants were not supported by the movement schedule.

Committee Recommendations

456. The Committee recommends that the Accounting Officer provide the conditional grants movement schedule and, henceforth, comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. Going forward, the committee will not allow submission of documents to the OAG outside the audit cycle without justification.

6.1.9 Budgetary Controls and Performance

457. During the year under review, the University had a budgeted expenditure amounting to Kshs.1,210,115,000 against actual expenditure of Kshs.1,250,972,000 resulting to an over expenditure of Kshs.40,857,000 or 3% of the final budget. However, supporting evidence for prior approval by the University Council, the Cabinet Secretary responsible for higher education and The National Treasury for the excess expenditure of Kshs.40,857,000 was not availed for audit verification.

458. This is contrary to Section 12 of the State Corporations Act, 2012 Revised Edition which states that a state corporation shall not incur any expenditure for which provision has not been made in an annual estimate prepared and approved without the prior approval in writing of the Minister and the Treasury.

Management Response

459. Management submitted that the variance was caused by underfunding of the budget

Committee Observation

460. The committee observed that the budget reflects the final revenue budget of Kshs.1,176,963 against the final expenditure budget of Kshs.1,210,115 resulting to unbalanced budget of Kshs.33,152.

Committee Recommendations

461. The Committee recommends that the Accounting Officer should adhere to the provisions of Section 44 of the PFM Act CAP412A by preparing a supplementary budget showing how additional expenditures relate to the fiscal responsibility principles and financial objectives.

6.1.10 Staff Honoraria

462. During the year under audit, a total of Kshs.3,098,000 was paid to various staff as honoraria. However, the allowance was paid in cash outside the payroll system and was not among the allowances listed in Salaries and Remuneration Commission Circular Ref. No: SRC/ADM/CIR/1/13 Vol. III (126) of 10th December 2014. Further, the honoraria payment was not subjected to income tax. Non-compliance with tax rules exposes the University to penalties and fines by Kenya Revenue Authority.

463. Consequently, the University made an irregular payment of honoraria amounting to Kshs.3,098,000 and the Management is in breach of the Law.

Management Response

464. Management submitted that Kshs.2,000 cash Lunch allowances paid to board of examiners are within non taxable threshold that is provided for in the university graduate supervision policy.

Committee Observation

465. The committee observed that the policy document was reviewed, and the explanation provided by management was satisfactory and the matter is therefore resolved.

6.2 Audited Financial Statements for the Financial Year 2019/2020 (Qualified Opinion)

6.2.1 Land

466. The balance totalling Kshs.116,045,000 relating to land includes land measuring 239 hectares previously occupied by unauthorized persons and carried in the books of the University at a cost of Kshs.47,000,000. Although Management sued and received authority from the Court and evicted the intruders, records provided for audit indicated that the University had not yet obtained the title deed to the land.

467. In the circumstance, ownership of the land by the University and fair statement of the balance totalling Kshs.116,045,000 as at 30 June, 2020 could not be confirmed.

Management Response

468. Management submitted that the land was surveyed and found to be 244.3 hectares on 6 September 2023 and a certificate of title, lease and deed plan was obtained.

Committee observations

69. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

6.2.2 Fully Depreciated Assets

469. As disclosed at Note 25 to the financial statements, the University had three hundred and thirty-nine (339) asset items with a total value of Kshs.160,164,000 which had been fully depreciated but were still in use as at 30 June, 2020. Management did not explain why contrary to Paragraph 82 of IPSAS 17, the University did not recognize the assets which it had not disposed of and from which it was still deriving economic value and service benefits.

470. Records provided for audit indicated that during the year under review, other assets owned by the University were revalued and their carrying values restated in asset records. No plausible explanation was provided by Management why the three hundred and thirty-nine (339) in recognized assets were left out of the revaluation.

Management Response

471. Management submitted that a Board of Survey had been constituted to review all assets and AA Valued Motor Vehicles

Committee observations

472. The committee observed that Note 25 to the financial statements reflects the revaluation of Kshs.51,254 not supported by the assets list, description, historical cost and revalued amounts, including basis.

Committee Recommendations

473. The Committee recommends that management ensures full compliance with IPSAS 1 Presentation of Financial Statements by preparing and presenting financial statements in accordance with the prescribed standards, including maintaining complete and accurate disclosures, applying consistent accounting policies, and providing adequate supporting documentation for all reported figures.

6.2.3 Student Debtors

474. The receivables balance includes students' debtors totalling Kshs.70,873,000. However, examination of records on the debts indicated that Management had not established guidelines on granting credit to students and on collecting outstanding fees.

Management Response

475. Management submitted that it had developed a finance policy and procedures manual. The student debtors as at 30 June 2024 were Kshs.32,936,000

Committee observations

476. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

6.2.4 Other Debtors

477. Note 22 to the financial statements also reflects other debtors totalling Kshs.2,539,000 as at 30 June, 2020, out of which Kshs.75,438 were debts owed by staff who had left the service of the University. Management did not explain why the dues were not recovered before the staff were allowed to leave the University

478. In view of these issues, the extent of recoverability of the receivables from exchange balance totalling Kshs.87,446,000 reflected in the statement of financial position as at 30 June, 2010 could not be confirmed.

Management Response

479. Management submitted that the amounts owed by staff were recovered from CBA arrears.

Committee observations

480. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

6.2.5 Revenue from Rendering Services

481. The statement of financial performance for the year ended 30 June, 2020 reflects revenue from rendering services totalling Kshs.294,451,000 as further disclosed in Note 4 to the financial statements. The balance includes tuition fees totalling Kshs.176,644,000 for both the Joint-Admissions Board and self-sponsored programme students.

482. Examination of the revenue ledger indicated that tuition fees were recognized upon payment by the students contrary to International Public Sector Accounting Standards No. 9 which provides that income should be recognized when it is probable that the economic

benefit or service potential associated with the transaction will flow to the entity. In addition, the accounting approach was contrary to the University's own policy which provides that each student's fees are to be recognized when the student registers for a semester.

Management Response

483. Management submitted that revenue is recognized when students register for semester, courses and sign nominal roll, Kshs 294,451 was recognized in the year under review.

Committee observations

484. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.2.6 Budgetary Control and Performance

485. The statement of comparison of budget and actual amounts indicates that during the year under review, the University had budgeted to spend Kshs.1,453,554,000 but spent Kshs.1,333,584,000, resulting in under-expenditure of Kshs.119,970,000 or 8% of the budget.

486. The under-expenditure was within the allowable threshold of 10%.

Management Response

487. Expenditure variance of is within the 10% allowable threshold. The university was also closed because of COVID-19.

Committee observation

488. The committee observed that the 10% allowable threshold and the matter is therefore resolved

6.2.7 Prior Year Issues

489. The report for the previous year reported on occupation of the University's land by unauthorized persons and failure by the University to establish guidelines to ensure collection of student debts.

490. Management has indicated in the report on progress made in resolving the issues that the squatters had since been evicted and work to formulate the guidelines was in progress. The actual status of the issues shall be confirmed after they are discussed by the Legislature.

Committee observation

130. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations.

6.2.8 Irregular Procurement of Construction Services

491. Included in work-in-progress balance totalling Kshs.715,349,000 as at 30 June, 2020 and as disclosed at Note 25 to the financial statements, is an expenditure totalling Kshs.7,588,512.94 on construction of a perimeter fence around the University's land. The works were budgeted at Kshs.100 million and planned to be implemented in phases with the first phase allocated Kshs.17 million.

492. The procurement plan identified Open Tender as the method to be applied in procuring the construction services for implementing the project. Audit report however indicated that the project was implemented using the labourbased Force-Account method. The nature and scope of the project did not meet the conditions prescribed for use of the labour-based contract method and therefore the University's adoption of the method may have been irregular.

Management Response

Management submitted that it relied on the use of state or public officers and using public assets, equipment and labour and the laws on unforeseen and urgent work.

Committee observation

493. The Committee observed that the University irregularly procured construction services for the perimeter fence project by applying the labour-based Force Account method, contrary to the approved procurement plan which had identified Open Tender as the appropriate method. The Committee further noted that the nature and scope of the project did not meet the conditions prescribed for use of the Force Account method, thereby rendering the procurement process non-compliant and potentially irregular.

Committee Recommendation

494. The Committee recommends that management should adhere to the approved procurement plans and ensures that any deviation from the prescribed procurement methods is properly justified, documented, and in full compliance with applicable procurement laws and regulations, including Public Procurement and Asset Disposal Act, 2015. Further, management should strengthen internal controls and oversight mechanisms

to prevent recurrence of such irregularities and ensure that all procurement processes are transparent, competitive, and compliant with the law.

6.2.9 Irregular Evaluation of tenders

495. Examination of tender evaluation records for the financial year 2019/2020 indicated that the Tender Evaluation Committee members assessed tenders jointly and not independently of each other contrary to Regulation 31(1) of the Public Procurement and Assets Disposal Regulations.

496. Therefore, objectivity of the tender evaluation results published by the Committee and applied in award of tenders in the year under review could not be confirmed.

Management Response

497. Management submitted that each tender committee member completes an individual evaluation form.

Committee observation

498. Examination of tender evaluation records for the financial year 2019/2020 revealed that members of the Tender Evaluation Committee conducted joint evaluations of bids rather than assessing them independently, contrary to Regulation 31(1) of the Public Procurement and Asset Disposal Regulations.

499. As a result, the objectivity, fairness, and integrity of the tender evaluation process could not be ascertained, thereby casting doubt on the credibility of the tender awards made during the year under review.

Committee Recommendations

500. The Accounting Officer should ensure strict adherence to Regulation 31(1) of the Public Procurement and Asset Disposal Regulations by requiring all members of the Tender Evaluation Committee to evaluate bids independently prior to any consolidation of results.

501. Management should establish clear evaluation procedures and provide guidance to committee members to enhance transparency, accountability, and consistency in the tender evaluation process.

502. Further, internal controls should be strengthened to include supervisory reviews and documentation of individual evaluation reports to ensure compliance and facilitate audit verification.

6.2.10 Irregular Accounting for Taxable Revenue

503. The University runs a hospitality venture that includes sale of food, provision of conference facilities and accommodation all of which do not fall within the University's mandate of teaching and research outlined in its Charter. However, income from the venture were lumped together with student fees contrary to Part II of the Income tax Act Cap 479 which requires tax payers to separate incomes received from different sources.
504. Although the Management has indicated that the University will correct the anomaly, the University risks being penalized by Kenya Revenue Authority for failure to comply with provisions of the Income Tax Act.

Management Response

505. Management submitted that the student catering and hostels units are non-profit.

Committee observation

506. The committee observed that there was no profit-making motive in the services, as management had explained, and the matter is therefore resolved.

6.3 Audited Financial Statements for the Financial Year 2020/2021 (Qualified Opinion)

6.3.1 Fully Depreciated Assets

507. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,727,908,000 which as disclosed in Note 25 to the financial statements and the assets register, includes two thousand three hundred and seventy-two (2,372) assets with an initial cost of Kshs.230,989,000, which are fully depreciated. However, Management has not explained why the University had not revalued or reviewed the depreciation methods of the assets in conformity with Paragraphs 43 and 44 of the International Public Sector Accounting Standards (IPSAS)17 to reflect the correct balances in the financial statements given that the assets were still in use and generating revenue.
508. In the circumstances, accuracy, completeness and fair presentation of the property, plant and equipment balance of Kshs.1,727,908,000 could not be confirmed.

Management Response

509. Management submitted that the assets had been revalued at Kshs. 109,863,000.

Committee observations

510. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.3.2 Failure to Disclose Material Uncertainty in Relation to Sustainability

511. The statement of financial position reflects a current liabilities balance of Kshs.282,809,000 against current assets of balance of Kshs.228,091,000 resulting to a negative working capital of Kshs.54,718,000. Further, the University recorded a deficit amount of Kshs.66,862,000 which depleted the revenue reserves by the same amount. This material uncertainty in relation to sustainability of services and mitigating measures to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

512. The University is therefore not in a position to meet its current financial obligations as they fall due and depends on creditors and Governments grants to meet its day to day operations.

Management Response

513. Management submitted that it agreed with audit observation. The Working Capital was due to the non-remittance of development funds for the construction expenditure of Kshs.74,840,123.

Committee observations

514. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.3.3 Irregular Use of Labour-Based Contract for Construction of Perimeter Wall

515. Included in work-in-progress balance of Kshs.422,184,000 as disclosed in Note 25 to the financial statements, is an expenditure of Kshs.4,774,039 on construction of a perimeter fence at the University and whose total budget was Kshs.100 million. The project is to be implemented in phases with the first phase being allocated Kshs.17 million. According to the procurement plan, open tender was the preferred procurement method for implementing the project.

516. However, the project is being implemented using labor-based method which does not meet the prescribed threshold for use of labour based contract contrary to Section 109 (2)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that, "a procuring entity may use force account by making recourse to the state or public officers and using public assets, equipment and labour which are competitive and where quantities of work involved are small and scattered or in remote locations for which qualified

construction firms are unlikely to tender at reasonable price and the quantities of works cannot be defined in advance.

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

Management Response

518. Management submitted that it relied on the use of state or public officers and on using public assets, equipment and labour, and the laws on unforeseen and urgent work.

Committee observations

519. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.4 Audited Financial Statements for the Financial Year 2021/2022 (Qualified Opinion)

6.4.1 Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

520. The statement of financial position reflects current liabilities balance of Kshs.282,169,000 as at 30 June, 2022 which exceeded the total current assets of Kshs.220,446,000, resulting in a negative working capital of Kshs.61,723,000. This is an indication that the University may not be able to settle its obligations as and when they fall due and the existence of a material uncertainty, which may cast doubt on the University's ability to sustain its services and its existence is dependent on continued support from Government and creditors. However, this material uncertainty relating to sustainability of services and measures taken to mitigate the undesirable financial position have not been disclosed in the financial statements.

Management Response

521. Management agreed that current liabilities balance exceeded current assets balance resulting to a negative working capital of Kshs. 61,723,000.

522. The material uncertainty was subsequently disclosed in 2022/23 financial year. Management attributed the negative working capital to non-remittance and inadequate allocation of development capitation by the Ministry of Education on ongoing contracts.

523. They note the Ministry of Education-State Department for Higher Education and Research has been very supportive in ensuring that the University remains a going concern and ensuring that it continues to meet its statutory and financial obligations. The Institution has developed several market driven programmes and enhanced student enrolment from

7,244 in 2022 to 8,631 in 2025. The University is confident that the student-Centred Funding Model will enhance the liquidity of the University at the long run after full transition.

Committee observations

524. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.4.2 Unresolved Prior Year Matters

525. 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. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Committee observation

526. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations

6.4.3 Non-Compliance with Unclaimed Financial Assets Act,2011

527. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.206,400,000, out of which Kshs.60,905,334 relates to student fees as disclosed in Note 28 to the financial statements. However, review of the students' status report as at 30 June, 2022 from the ERP system reflected an amount Kshs.3,858,846 in respect of balances/overpayment by different sponsors of students who haU left Pwani University through transfers, expulsion, dropping out, death and those who graduated (alumni) for the past two (2) years and above.

528. Management has informed the sponsors in writing of the situation in compliance with Section 9 and 19(1) of the Unclaimed Financial Alsets Act, 2011 which states that "a deposit made by a subscriber with a utility to secure provision of services or any sum paid in advance for utility services to be furnished, that remains unclaimed by the owner for more than two years after termination of the services for which the deposit or advance 'payment was made shall be presumed abandoned and a holder of assets to which this Act applies shall make all reasonable efforts to locate the owner and to notify the owner about

those assets. However, no responses had been received as at the time of audit in January,2023.

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

Management Response

530. Management agrees with the finding. The University normally corresponds with the sponsors to find out whether the money can be utilized by another needy student from the same constituency. Consequently, the University received communication from the various sponsors and the outstanding amounts were subsequently utilized on their nominee continuing needy students as directed by various sponsors. The balance has since dropped from Ksh.3,858,846.00 to stands at Kshs. 407,941 relating to 48 students (awarded by 34 sponsors). Management is waiting for further communications from the sponsors.

Committee Observation

531. The committee observed that there is still a balance of Kshs.407.941 had not been reallocated.

Committee Recommendations

532. The committee recommends that management put in place measures to ensure tracing of all the unclaimed financial assets in compliance with the Unclaimed Financial Assets Act 2011 within six months of adoption of this report by the House.

6.5 Audited Financial Statements for the Financial Year 2022/2023 (Qualified Opinion)

6.5.1 Inaccuracy in Refundable Deposits from Customer Balance

533. The statement of financial position and Note 25 to the financial statements reflect refundable deposits from customers balance of Kshs.20,648,000 in respect of caution money fees. However, the caution money bank account reflects a balance of Kshs.7,306,000 resulting to an unexplained variance of Kshs.13,342,000.

534. In the circumstances, the accuracy and completeness of the refundable deposits from customers balance of Kshs.20,648,000 could not be confirmed.

Management Response

535. Management submitted that the University maintains one main collection account for students' fees at Equity Bank Account No. 0460291566407 where students pay fees including caution money. Periodically, reconciliation is done to determine the collected caution money which is then transferred from Equity Bank to ABSA Bank Caution Money

Account No. 0191068378. The difference of Kshs. 13,342,000 was included in the Equity Bank collection account which had a closing balance of Ksh. 73,236,000 as at 30 June 2023.

536. Management noted the delay in transfer of caution money to ABSA Account however, this was later done in line with the audit recommendation.

Committee observation

537. The committee observed that a bank statement relating to the caution money account for the month of February 2024 was provided. The account as per the statement had an opening balance of Kshs.552,790 and not Kshs.7,306,000. This implies there was movement in the account which was not explained or supporting schedules were not provided.

Committee Recommendations

538. The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. Going forward, the committee will not allow submission of documents to the OAG outside the audit cycle without justification. Accounting Officers who, without justifiable reason, contravene the provisions of Section 62 of the Public Audit Act shall face the penalties prescribed under Section 63 of the Public Audit Act.

6.5.2 Material Uncertainty in Relation to Sustainability of Services

539. The statement of financial position reflects current liabilities balance of Kshs.222,668,000 which exceeded the total current assets balance of Kshs.'188,1 51 ,000, resulting in a negative working capital amount of Kshs.34,517,000. This is an indication that the University may not be able to settle its short-term obligations as and when they fall due.

540. Therefore, there is existence of a material uncertainty, which may cast doubt on the University's ability to sustain its services and its existence is dependent on continued support from Government and creditors.

Management Response

541. Management submitted that they attributed the negative working capital to non-remittance and or less allocation of development capitation by the Ministry of Education on ongoing contracts as outlined below:

542. They indicate that the Ministry of Education, State Department for Higher Education and Research has been very supportive and ensuring that the University remains a going concern and ensuring it continues to meet its statutory and financial obligations. The Institution has developed several market driven programmers and enhanced student enrolment from 7,612 in 2023 to 8,631 in 2025. The University is confident that the Student-Centred Funding Model will enhance the liquidity of the University at the long run after full transition.

Committee observations

543. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.5.3 Budgetary Control and Performance

544. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis totalling to Kshs.1,219,105,000 and Kshs.1,275,169,000 respectively resulting to under-collection of Kshs.56,064,000 or 4o/o of the budget.

545. Further the statement reflects total actual expenditure of Kshs.1,304,105,000 against an approved budget of Kshs.1,271,916,000 resulting to an over-expenditure of Kshs.32,189,000 or 3% of the budget. The over-expenditure was mainly recorded on the employee costs component. However, the approval for the over-expenditure was not provided contrary to the resolution of Special Council meeting of 20 September,2022 which approved the revised annual budget.

546. In the circumstances, the over-expenditure may have affected the performance of some expenditure components due to reallocation of financial resources to cater for the over-expenditure.

Management Response

547. Management agrees with the findings and attributes this to:

- i. The total percentage variance was on employee costs was 2.5% rounded of to 3.0%. The Management endeavored to maintain the over expenditure within the Council limit of 5%.

- ii. However, the over expenditure was within the allowable 5% of the Council approved budget and there was no negative effect on the over expenditure with regard to the core components of the University.

The implementation of the NSSF Act of 2013 came to effect in January 2023. This had not been foreseen and not budgeted for and had a negative impact on the employee costs budget under the employer contributions.

Committee observations

548. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

6.5.4 Unresolved Prior Year Matters

549. In the audit report of the previous year, one (1) issue was raised under the Report on Financial Statements. However, Management has not indicated how the issue was resolved.

Management Response

550. The Management has since updated the responses on the status of prior year audit matters.

Committee observation

551. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations.

6.5.5 Failure to Appoint a University Chancellor

552. Review of the records revealed that, the Senate of the University in consultation with the Alumni Association of the University identified and recommended for the re-appointment of the former Chancellor for one further term of six (6) years on 2 February, 2018. However, the request was not approved by the Cabinet Secretary, Ministry of Education Science and Technology for appointment by the President as a result of which Pwani University has been operating for more than five (5) years without a Chancellor. This is contrary to section 38(1) of the University Act, 2012 which states that every University shall have a Chancellor, who shall be appointed in the case of a Public University, by the President in accordance with the procedure set out in the Second Schedule and in the case of a Private University, in accordance with the Charter of that University.

553. In the circumstances, the University is operating in breach of the law.

Management Response

554. Management submitted that Pwani University has been operating for more than five (5) years without a Chancellor. The management made several attempts to have the Chancellor appointed as indicated below:

- i. The University found it necessary to do fresh online nominations via an Internal Memo dated 4th August 2020. (Attached also find some of the minutes for the nomination process for meetings held on 4th, 8th, and 14th September 2020).
- ii. On the 2nd of November 2020, the University proposed five (5) nominees to the Principal Secretary- State Department for University Education for onward submission to the Public Service Commission.
- iii. On 9th February 2023, the University sought the indulgence of the Kilifi North Constituency MP and Deputy Majority Leader on the appointment of the Chancellor.
- iv. Similarly, on the 25th October 2023, the University made a follow up with Cabinet Secretary Ministry of Education Science and Technology on the appointment of the Chancellor.
- v. On the 24th January 2024, the University further communicated to the Commission Secretary -Public Service Commission on the nominees of the Chancellor's position.
- vi. To date the process is ongoing. Other nominees were submitted on 20th August 2025 to Public Service Commission for further processing.

Committee observation.

555. The committee observed that the University had made several attempts to have the Chancellor appointed. However, no nominee has been selected from the latest proposed list.

Committee Recommendations

556. The Committee therefore recommends that the Cabinet Secretary, Ministry of Education, in consultation with the Public Service Commission, expedites the review and approval of the submitted nominees to facilitate the appointment of a substantive Chancellor without further delay.

557. The Committee further recommends that the Ministry establishes clear timelines and a structured framework for processing such appointments to prevent undue delays in the future.

6.5.6 Irregular Payment of Provisional Sum and Unaccounted for Project Computers

558. Review of procurement and payment records revealed that the bills of quantities amounts for construction of the school of humanities complex totalling Kshs.232,547,264 included a provisional sum of Kshs.15,800,000 which was to be measured on completion and priced in accordance with the rates contained in the bills of quantities or prorate thereto or deducted in whole if not required. The construction commenced on 22 April, 2019 and was completed on 21 October, 2021. However, the payment of the provisional sum was not justified or supported by Management. This is contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity, on the recommendation of an evaluation committee, may approve the request for use of provisional sums, which request shall be accompanied by a certificate from the tenderer making a justification for such cost. Further, the Bills of Quantities provided for the purchase of five (5) MacBook Pro 15 Inch computers valued at Kshs.2,415,000 to be used by the project manager. However, the computers were not accounted for by way of an assets register or listing or stores records in respect of receipt and issue of the computers.

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

Management Response

560. The management submitted that:

- i. Whereas the certificate of completion was issued in 21st October 2021, the University did not release any of the contingency funds until when the approval was sought by the contractor on 27th May 2022 and approved by the Accounting officer on 30th May 2022.
- ii. The Tender Document provided Bill of Quantities which included 5 MacBook Pro 15 Inch laptops worth Kshs.2,415,000 for use in the Project Managers Office. The laptops were procured by the tenderer in line with the Tender Document.
- iii. The computers were not procured by Pwani University hence they could not be listed in the University's stores.
- iv. It's also noted that the laptops were received by public works and issued to the experts, it's also implied that the assets were put to charge in the asset register at the public works which is also a Government entity.

Committee observation

561. The committee observed that management had not provided the justification or supporting documents to pay the provisional sum of Kshs.15,800,000. Further, no evidence was provided to indicate that the computers were taken on charge by the University.

Committee Recommendations

562. The Committee recommends that the Accounting Officer ensures that all payments relating to provisional sums are supported by adequate documentation, including prior approval, justification, and certification in accordance with Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

6.5.7 Long Outstanding Employees' Benefit Obligation Balance

563. The statement of financial position reflects employees benefit obligation balance of Kshs.50,000,000 as disclosed in Note 31 to the financial statements. The balance includes an amount of Kshs.1,347,000 in respect of net salaries payable out of which a balance of Kshs.370,751 owed to ten (10) employees has been outstanding for a long time dating back to December, 2021.

564. In the circumstances, the effectiveness of internal controls related to employees benefit obligations could not be confirmed.

Management Response

565. The management submitted that the employee benefit obligations included an amount of Kshs.1,347,000 in respect of net salaries payable for 22 staff. Notably, the outstanding net salaries payable resulted from varied reasons including delays by employees clearing with the University before being paid their dues. Twelve (12) of the outstanding obligations have since been fully paid up.

Committee observation

566. The committee observed that the management has paid some of the employees with ten cases still outstanding due to various reasons.

Committee Recommendations

567. The committee recommends that the accounting officer makes efforts to ensure that all the outstanding obligations are paid.

6.6 Audited Financial Statements for the Financial Year 2023/2024 (Qualified Opinion)

6.6.1 Misclassification of Expenditure

578. The statement of financial position and Note 18 to the financial statements reflects receivables from exchange transactions balance of Kshs.50,028,000. Included in the balance is Kshs.31,806,000 in respect of student debtors out of which a balance of Kshs.26,871,612 relates to fees owed by five hundred and seventy-nine (579) students carried forward from prior years and for which no payments were received during the year under review. In addition, review of records revealed that the five hundred and seventy-nine (579) students were not invoiced during the year an indication that they may have either deferred, discontinued or previously graduated making the debt recoverability doubtful.

579. In the circumstances, the accuracy and fair valuation of receivables from exchange transactions balance of Kshs.50,028,000 could not be confirmed.

Management Response

580. Management submitted that the University implemented its collection strategies and recovered Kshs. 3,680,450.35 from 280 out of 989 students during FY 2024-25.

581. The debtor balance is now Kshs. 29,125,284.40. The University is keen to ensure more funds are collected as students resume to proceed with their studies.

582. From the 579 students owing the University KShs.26,871,611.00, the University has so far collected 379,504.00. from 11 students. One student owing KShs.152,400.00 is deceased, 134 students owing KShs.5,265,757.00 have indicated an intention to resume and pay the outstanding amount. The remaining 433 students owing KShs.21,073,950.00 have deferred/dropped out/withdrawn.

Committee Observation

583. The Committee observed slow progress in debt recovery creating doubt on the recoverability of the outstanding student debt.

Committee Recommendation

584. The Committee recommends that the University should strengthen debt collection mechanisms and enforce available mechanisms to ensure timely settlement of fees by students, while maintaining effective monitoring of receivables to prevent accumulation of outstanding balances.

6.6.3 Budgetary Performance and Control

585. The summary statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis of Kshs.1,342,121,000 and Kshs.1,286,055,000 respectively, resulting to a budget under funding of Kshs.56,066,000 representing 4% of the budget. Similarly, the University spent Kshs.1,391,618,000 against actual receipts of Kshs.1,286,055,000 resulting to over absorption of Kshs.105,563,000 representing 8% of the receipts.

Management Response

586. The Committee was informed that the summary statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis of Kshs.1,342,121,000 and Kshs.1,286,055,000 respectively, resulting to a budget under funding of Kshs.56,066,000 representing 4% of the budget. Similarly, the University spent Kshs.1,391,618,000 against actual receipts of Kshs.1,286,055,000 resulting to over absorption of Kshs.105,563,000 representing 8% of the receipts. However, this resulted from the following challenges

a. Over-absorption

- i. The financial statements are prepared in accrual basis under the IPSAS Standards.
- ii. Kshs.1,391,618,000 is an expenditure on accrual including depreciation. The University had an approved budget of Kshs.1,342,121,000 which excluded depreciation.
- iii. Kshs.105,563,000 was a comparison between the cash and accrued figures of Kshs.1,286,055,000 and Kshs.1,391,618,000 respectively resulting to the variance.
- iv. The over absorption came about as a result of factoring the depreciation of Kshs. 86,693,000. Depreciation is a non-cash item, and it does not have an impact on cash outflow.

b. Under-collection

587. The under-funding resulted from lower number of students admitted (2,336) than expected (3000) causing budget under collection of Kshs. 56,066,000 representing 4% of the budget.

Committee observation

588. The Committee observes that the change from cash to accrual basis.

589. Further, that under funding of learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

Committee Recommendations

590. The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of inadequate funding in higher education institutions.

6.6.4 Unresolved Prior Year Audit Matters

591. The audit report for the previous year highlighted several issues in respect of the financial statements, lawfulness and effectiveness of public resources. Management's report on the progress made in resolving the issues did not indicate the status of these issues as at 30 June, 2024.

Management Response

592. The Management has since updated the responses on the status of prior year audit matters as indicated in the table below.

S/No	Prior Year Audit Queries	Management Response	Status
1.	<p>Inaccuracy in Refundable Deposits for Customers Balance</p> <p>The statement of financial position and Note 25 to the financial statements reflect refundable deposits from customers balance of Kshs.20,648,000 in respect of caution money fees. However, the caution money bank account reflects a balance of Kshs.7,306,000 resulting to an unexplained variance of Kshs.13,342,000.</p> <p>In the circumstances, the</p>	<p><i>It is true that the statement of financial position and Note 25 to the financial statements reflect refundable deposits from customers balance of Kshs.20,648,000 in respect of caution money fees. However, the caution money bank account reflects a balance of Kshs.7,306,000 resulting to an unexplained variance of Kshs.13,342,000.</i></p> <p><i>The University maintains one main collection account for students' fees at Equity Bank Account No. 0460291566407 where students pay fees including caution money. Periodically, reconciliation is done to determine the</i></p>	Resolved

	<p>accuracy and completeness of the refundable deposits from customers balance of Kshs.20,648,000 could not be confirmed.</p>	<p><i>collected caution money which is then transferred from Equity Bank to ABSA Bank Caution Money Account No. 0191068378. The difference of Kshs. 13,342,000 was included in the Equity Bank collection account which had a closing balance of Ksh. 73,236,000 as at 30th June 2023.</i></p> <p><i>We noted the delay in transfer of caution money to ABSA Account, however, we later on transferred the Caution Money to the designated Absa Bank Caution Money in line with the audit recommendation.</i></p>	
2.	<p>Material Uncertainty in Relation to Sustainability of Services</p> <p>The statement of financial position reflects current liabilities balance of Kshs.222,668,000 which exceeded the total current assets balance of Kshs.188,151,000, resulting in a negative working capital amount of Kshs.34,517,000. This is an indication that the University may not be able to settle its short-term obligations as and when they fall due. Therefore, there is existence of a material</p>	<p><i>It is true that the statement of financial position reflects current liabilities balance of KShs. 222,668,000.00 against current assets of balance of KShs. 188,151,000.00 resulting to a negative working capital of KShs. 34,517,000.00</i></p> <p><i>The negative working capital majorly resulted from non-remittance and or less allocation of development capitiation by the Ministry of Education on ongoing contracts</i></p> <p><i>The Ministry of Education-State Department for Higher Education and Research has been very supportive and ensuring that the University remains a going concern and ensuring the</i></p>	In progress

	<p>uncertainty, which may cast doubts on the University's ability to sustain its services and its existence is dependent on continued support from Government and creditors.</p>	<p><i>continues to meet its statutory and financial obligations. The Institution has developed several market driven programmers and enhanced student enrolment from 7,612 in 2023 to 8,631 in 2025. The University is confident that the Student-Centred Funding Model will enhance the liquidity of the University at the long run after full transition.</i></p>	
3.	<p>Budgetary Control and Performance</p> <p>The statement of comparisons of budget and actual amounts reflects final revenue budget and actual on comparable basis totaling to Kshs.1,219,105,000 and Kshs.1,275,169,000 respectively resulting to under-collection of Kshs.56,064,000 or 4% of the budget. Further, the statement reflects total actual expenditure of Kshs.1,304,105,000 against an approved budget of Kshs.1,271,916,000 resulting to an over-expenditure of Kshs.32,189,000 or 3% of the budget. The over-expenditure was mainly recorded on the employee costs component. However, the approval for the</p>	<p><i>The statement of comparisons of budget and actual amounts reflects final revenue budget and actual on comparable basis totaling to Kshs.1,219,105,000 and Kshs.1,275,169,000 respectively resulting to over-collection of Kshs.56,064,000 or 4% of the budget. While it is true that the statement reflects total actual expenditure of Kshs.1,304,105,000 against an approved budget of Kshs.1,271,916,000 resulting to an over-expenditure of Kshs.32,189,000 or 3% of the budget. This resulted from:</i></p> <p><i>i. The total percentage variance was on employee costs was 2.5% rounded of to 3.0%. The Management endeavored to maintain the over expenditure within the Council limit of 5%.</i></p> <p><i>ii. However, the over expenditure was within the allowable 5% of the Council</i></p>	Explained

	<p>over-expenditure was not provided contrary to the resolution of Special Council meeting of 20th September, 2022 which approved the revised annual budget.</p> <p>In the circumstances, the over-expenditure may have affected the performance of some expenditure components due to reallocation of financial resources to cater for the over-expenditure.</p>	<p><i>approved budget and there was no negative effect on the over expenditure with regard to the core components of the University.</i></p> <p><i>The implementation of the NSSF Act of 2013 came to effect in January 2023.</i></p> <p><i>This had not been foreseen and not budgeted for and had a negative impact on the employee costs budget under the employer contributions</i></p>	
<p>4.</p>	<p>Failure to Appoint a University Chancellor</p> <p>Review of the records revealed that, the Senate of the University in consultation with the Alumni Association of the University identified and recommended for the re-appointment of the former Chancellor for one further term of six (6) years on 2 February, 2018. However, the request was not approved by the Cabinet Secretary, Ministry of Education Science and Technology for appointment by the President as a result of which Pwani University has been operating</p>	<p><i>This is hereby explained as follows:</i></p> <ul style="list-style-type: none"> • <i>Pwani University Alumni Association resolved and recommended as per the CUE Act of 2012 the re-appointment of Dr. John Simba for another term of five (5) years and this was communicated to the Pwani University Senate on 26th January 2018.</i> • <i>The Management after adopting the recommendation of the Alumni and Senate, communicated to the Cabinet Secretary -Ministry of Education on 2nd February 2018 in line with the University's Act No. 42 of 2012, revised edition 2016.</i> • <i>The University made a follow up with the Principal Secretary – State</i> 	<p>In progress</p>

	<p>for more than five (5) years without a Chancellor. This is contrary to section 38(1) of the University Act, 2012 which states that every University shall have a Chancellor, who shall be appointed in the case of a Public University by the President in accordance with the procedure set out in the Second Schedule and in the case of a private University, in accordance with the Charter of the University. In the circumstances, the University is operating in breach of the law.</p>	<p><i>Department for University Education on 27th January 2020 on the same matter.</i></p> <ul style="list-style-type: none"> • <i>The State Department for University Education wrote to the University on 22nd June 2020 asking the University to recommend a Chancellor again although the communication had earlier been made to the Ministry.</i> • <i>The University made another communication to the Principal Secretary on 29th July 2020 drawing attention of the Ministry to the earlier communications.</i> • <i>The University found it necessary to do fresh online nominations via an Internal Memo dated 4th August 2020. (Attached also find some of the minutes for the nomination process for meetings held on 4th, 8th, and 14th September 2020).</i> • <i>On the 2nd of November 2020, the University proposed five (5) nominees to the Principal Secretary- State Department for University Education for onward submission to the Public Service Commission.</i> • <i>On 9th February 2023, the University sought the indulgence of the Kilifi North Constituency MP and Deputy Majority Leader on the appointment of the</i> 	
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		<p><i>Chancellor.</i></p> <ul style="list-style-type: none"> • <i>Similarly, on the 25th October 2023, the University made a follow up with Cabinet Secretary Ministry of Education Science and Technology on the appointment of the Chancellor.</i> • <i>On the 24th January 2024, the University further communicated to the Commission Secretary -Public Service Commission on the nominees of the Chancellor's position.</i> • <i>To date the process is ongoing. Other nominees were submitted on 20th August 2025 to Public Service Commission for further process.</i> 	
5.	<p>Irregular Payment of Provisional Sum and Unaccounted for Project Computers</p> <p>Review of procurement and payment records revealed that the bills of quantities amount for construction of the school of humanities complex totaling Kshs.232,547,264 included a provisional sum of Kshs.15,800,000 which was to be measured on completion and priced in accordance with the rates contained in the bills of quantities of prorata thereto or</p>	<p><i>The University has the following response on this matter:</i></p> <p>i. <i>Whereas the certificate of completion was issued in 21st October 2021, the University did not release any of the contingency funds until when the approval was sought by the contractor on 27th May 2022 and approved by the Accounting officer on 30th May 2022.</i></p> <p>ii. <i>The Tender Document provided Bill of Quantities which included 5 MacBook Pro 15 Inch laptops worth Kshs.2,415,000 for use in the Project Managers Office. The laptops were procured by the tenderer in line with the Tender Document.</i></p>	

<p>deducted in whole if not required. The construction commenced on 22 April, 2019 and was completed on 21 October, 2021. However, the payment of the provisional sum was not justified or supported by Management. This is contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity, on the recommendation of evaluation committee, may approve the request for use of provisional sums, which request shall be accompanied by a certificate from the tenderer making a justification for such cost.</p> <p>Further, the Bills of Quantities provided for the purchase of five (5) MacBook Pro 15 Inch computers valued at Kshs.2,415,000 to be used by the project manager. However, the computers were not accounted for by way of an assets register or listing or stores records in respect of receipts and issue of the computers.</p>	<p>i. <i>The computers were not procured by Pwani University hence they could not be listed in the university's stores</i></p> <p>ii. <i>It's also noted that the laptops were received by public works and issued to the experts, it's also implied that the assets were put to charge in the asset register at the public works which is also a government entity.</i></p>	
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	In the circumstances, Management was in breach of the law.		
6	<p>Long Outstanding Employees Benefit Obligations Balance</p> <p>The statement of financial position reflects employees benefit obligation balance of Kshs.50,000,000 as disclosed in Note 31 to the financial statements. The balance includes an amount of Kshs.1,347,000 in respect of net salaries payable out of which a balance of Kshs.370,751 owed to ten (10) employees has been outstanding for a long time dating back to December, 2021.</p> <p>In the circumstances, the effectiveness of internal controls related to employees benefit obligations could be confirmed.</p>	<p><i>It is true that the statement of financial position reflects employees benefit obligation balance of Kshs.50,000,000 as disclosed in Note 31 to the financial statements. The balance includes an amount of Kshs.1,347,000 in respect of net salaries payable for 22 staff.</i></p> <p><i>Notably, the outstanding net salaries payable resulted from varied reasons including delays by employees clearing with the University before being paid their dues. Twelve (12) of the outstanding obligations have since been fully paid up</i></p>	

Committee Observation

593. The Committee observed that the has since addressed prior year issues raised by the office of the Auditor General.

Committee Recommendation

594. The Committee recommends that the management should always ensure all the prior year matters are addressed as provided by the Public Sector Accounting Standards Board templates.

6.6.5 Unsustainable Wage Bill

595. The statement of financial performance reflects expenditure on employee costs totalling Kshs.1,055,897,000 and as disclosed in Note 12 to the financial statements. This represents 82% of the total revenue amount of Kshs.1,286,055,000 comprising revenue from both exchange and non-exchange transactions contrary to the Regulation 26(1) of the Public Finance Management (National Government) Regulations, 2015 which limits the expenditure on wages and remuneration allowances to a maximum of 35% of the total receipts.

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

Management Response

597. Management submitted that the 82% utilization on emoluments was attributed partly to salary adjustments resulting from the implementation of the union's (UASU, KUSU & KUDHEIHA) CBA and return-to-work formula.

598. The University is a service industry, human capital being its major resource for service delivery. Staff requirement is set by regulators, CUE, regulatory bodies (Nursing Council, Medical Board, PHOTEC, KNDI) and is based on student numbers. Therefore, the workforce is engaged in the delivery of university core mandate which require a minimum staffing level to maintain service delivery standards as guided by CUE University's Standards and Guidelines (2014) on faculty to students' ratios, academic programme to adequate full-time staff, University workload policy and other regulations.

599. This notwithstanding, the University is employing staff rationalization strategies to manage and bring the wage bill to the required thresh-hold. This includes;

- i. Outsourcing of non-core activities
- ii. Job re-alignment
- iii. Implementing the Strategic Plan on staff establishment in phases by gradually recruiting staff over time rather than all at once.

600. This approach will help prevent a sudden increase in the wage bill, aligns staffing levels with revenue growth, supports budget flexibility, and allows for adjustments or delays in

hiring based on financial constraints. In addition, the University is planning to increase its revenue base through research grants.

601. Notably from the trend analysis, the wage bill was 83% in 2023; 79% in 2024, and at 68% in the year 2025/2026. The University endeavors to further reduce this going forward.

Committee Observation

602. The Committee observed that while the high wage bill was partly attributed to salary adjustments resulting from the implementation of the union's CBA and return-to-work formula, the management has undertaken measures including employing staff rationalization strategies to manage and bring the wage bill to the required threshold. These measures have reduced the wage bill was 83% in 2023; 79% in 2024, and at 68% in the year 2025/2026. While this indicates improvement, the wage bill still remains above the statutory threshold.

Committee Recommendation

603. The Committee recommends that the University continues to implement sustainable staff rationalization and cost-control measures to progressively reduce the wage bill to within the legal limit of 35% of total receipts. Further, the University should engage the National Treasury and the Ministry of Education to ensure that future Collective Bargaining Agreements are supported with adequate funding to avoid recurrence of the breach.

6.6.6 Stalled Construction Works of Perimeter Fence

604. The statement of financial position reflects property, plant and equipment balance of Kshs.1,809,378,000. The balance includes buildings net book value of Kshs.1,556,069,000 out of which Kshs.45,399,251 was incurred on the construction of the University's perimeter fence. Physical inspection revealed that, although substantial progress had been made, approximately three (3) kilometers of the wall coverage remains incomplete and the project is stalled thereby posing a risk of access of the institution by unauthorized persons.

605. In the circumstances, the value for money and achievement of intended objective on the expenditure could not be confirmed.

Management Response

606. Management appreciates the audit observation and reiterates its commitment to completing the perimeter wall project in line with public procurement laws and prudent financial management practices. The University remains committed to ensuring the safety

of its community and assets through progressive completion and enhanced interim security measures.

Committee Observation

607. The Committee observed that the management has made an allocation of 48 million in the budget of 2025-26 FY to complete the perimeter fence.

Committee Recommendation

608. The Committee recommends that the University should ensure completion of the remaining section of the Perimeter fence without any additional allocation.

6.6.7 Illegal Encroachment

609. The statement of financial position reflects property, plant and equipment balance of Kshs.1,809,378,000. Included in the balance is Kshs.116,680,000 in respect of land on which the university occupies. As previously reported, Management sued and were given order to evict intruders. Physical inspection of the land revealed that the property has intruders who are yet to be evicted. Although Management had sought help from the Ministry of Education and the County Commissioner, the issue was yet to be resolved.

610. In the circumstances, the University risks loss of land and property due to non-enforcement of court orders by Management to safeguard its land assets.

Management Response

611. The Management submitted that it had budgeted and planned to undertake the eviction process within the FY2025/2026. Currently, the Court Bailiff was engaged and facilitated with preliminary requirements to source for equipment for eviction. The eviction to be undertaken within the FY2025/2026

Committee Observation

612. The committee observed that, despite Management having obtained court orders to evict intruders from the land, physical verification revealed that the property remains encroached upon.

613. Although Management has made efforts to engage relevant authorities, including the Ministry of Education and the County Commissioner, the court orders have not been enforced, exposing the University to the risk of loss of its land and associated assets.

Committee Recommendation

614. The Committee recommends that the Accounting Officer expedites the enforcement of the court orders by ensuring that the planned eviction process is undertaken within the FY2025/2026 without further delay.

615. Management should strengthen coordination with relevant government agencies, including security agencies and the County administration, to ensure a smooth and effective eviction process.

616. The Committee further recommends that Management puts in place robust measures to secure the land immediately after eviction, including fencing, regular surveillance, and proper documentation of ownership to prevent future encroachment.

6.6.8 Gaps in the Receipt Sequential Numbering

617. The statement of financial performance reflects revenue from exchange transactions totaling Kshs.1,286,055,000 out of which Kshs.44,451,000 is in respect of other income. Review of revenue records revealed that the university operated a point-of-sale receipting machines at three (3) revenue points including the main kitchen, guest house and the farm. The receipting report revealed that the receipt numbers were not in a sequential order or in a chronological sequence as some of the receipts were missing. No records have been produced to confirm the receipts were voided or cancelled.

618. In the circumstances, the effectiveness of the internal controls on other income revenue assessment, receipting and recording procedures could not be confirmed.

Management Response

619. It is true the serial numbers were not in a sequential order or in a chronological sequence. These incomplete serial number requests had no monetary value. The University has since re-configured the ERP system to capture all receipts in a sequential order and now fully captures all receipts in the system as confirmed in the 2024-2025 external audit exercise.

Committee Observation

620. The Committee observed that the university has since addressed the issues raised by the Auditor general thereby resolving the matter.

6.7 Audited Financial Statements for the Financial Year 2024/2025 (Qualified Opinion)

6.7.1 Inaccurate Receivables from Exchange Transactions Balance

621. The statement of financial position reflects receivables from exchange transactions balance of Kshs.58,445,000 as disclosed in Note 18 to the financial statements. Included in

the balance is Kshs.38,110,000 in respect of student debtors out of which a balance of Kshs.28,398,536 relates to fees owed by six hundred and fifty-one (651) students carried forward from prior years and for which no payments were received during the year under review. In addition, review of records revealed that the six hundred and fifty-one (651) students were not invoiced during the year an indication that they may have either deferred, discontinued or graduated making the debt recoverability doubtful.

622. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.58,445,000 could not be confirmed.

Management Response

623. Management submitted that all 651 students were not in-session during the 2024-2025 financial year for varied reasons and therefore, they were not invoiced. The current status of these students is analyzed below:

<i>S/N</i>	<i>Category</i>	<i>No. of Students</i>	<i>Amount</i>
1	<i>Current-Resumed</i>	282	9,692,952.00
2	<i>Dropped out</i>	60	1,704,950.00
3	<i>Deceased</i>	1	152,400.00
4	<i>Deferred</i>	290	16,447,939.00
5	<i>Deregistered</i>	2	76,650.00
6	<i>Discounted</i>	1	15,750.00
7	<i>Suspended</i>	3	50,191.00
8	<i>Cleared</i>	12	0
	<i>Total</i>	<i>651</i>	<i>28,140,832.00</i>

624. Periodically, the Ministry of Education has directed Universities to allow students with fee balances to sit for examinations.

625. Notably, the University implemented its collection strategies and recovered Kshs. 257,704.00 from 15 out of 651 students, 12 of whom cleared during 2025-26 financial year.

626. The debtor balance is now Kshs. 28,140,832.00. The Management is keen to ensure more funds are collected as students resume to proceed with their studies.

627. Additionally, the University appointed a committee to verify the debts, establish the cause and recoverability of the debts with view to write any irrecoverable debts in line with Public Finance Management Act:

Committee Observation

628. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

6.7.2 Material Uncertainty Related to Going Concern

629. The statement of financial position reflects total current assets balance of Kshs.175,962,000 and total current liabilities balance of Kshs.291,723,000 resulting in a negative working capital of Kshs.115,761,000. As previously reported, operating on negative working capital implies that the University may not be able to meet all its short-term financial obligations as and when they fall due. Even though a significant improvement has been noted in the year under review in which the University realized a net surplus of Kshs.22,021,000 as opposed to the previous year’s deficit of Kshs.66,485,000, there was a drop in the University’s current assets and an increase in current liabilities. This scenario still poses the risk of material uncertainty related to going concern.

630. In the circumstances, the University ability to continue as a going concern is dependent on support from the Government, donors and creditors.

Management Response

631. Management submitted that the negative working capital resulted from non-remittance and or less allocation of development capitation by the Ministry of Education over the years on ongoing contracts as outlined below:

FY	Project	Allocation	Received	Certificates /Bills	Surplus/(Deficit)
2020/21	School of Humanities and Social Sciences	23,762,055	23,762,055	51,527,000	(27,764,945)
2021/22	School of Humanities and Social Sciences	50,000,000	50,000,000	82,241,000	(32,241,000)
2022/23	School of Humanities and Social Sciences	18,000,000	0	0	0

2022/23	School of Agricultural Sciences and Agribusiness	50,000,000	26,812,841	0	26,812,841
2023/24	School of Agricultural Sciences and Agribusiness	5,000,000	1,250,000	43,822,000	(42,572,000)
2023/24	School of Humanities and Social Sciences	25,000,000	6,250,000	0	6,250,000
2024/25	School of Agricultural Sciences and Agribusiness	0	0	51,345,000	(51,345,000)
	Total	171,762,055	108,074,896	228,935,000	(120,860,104)

632. The Ministry of Education-State Department for University Education has been very supportive in ensuring that the University remains a going concern and ensuring it continues to meet its statutory and financial obligations. The University has developed market driven programmes and enhanced student enrolment from 7,612 in 2023 to 8,631 in 2025. The University is confident that the Student-Centered Funding Model will enhance the liquidity of the University. This Financial Year 2025/2026, the University expects to receive outstanding funds from Universities Fund, Kshs.251,637,367.32 and KShs.105,061,530.55 from HELB totaling to KShs.356,698,897.87 which will reverse the negative working capital.

Committee Observation

633. The Committee observed that disbursements have not been remitted to the institution which is greatly affecting their cashflow thus limiting operations and the significant increase in receivables that cannot be accounted for.

Committee Recommendation

634. The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of releasing capitation on time as promised to learning institutions to ensure maximum service delivery.

6.7.3 Unresolved Prior Year Audit Matters

635. In the audit report of the previous year, several issues were raised in respect of the financial statements, Lawfulness and Effectiveness in the Use of Public Resources. However, the following issues remained unresolved as at 30 June, 2025.

Management Response

636. The Management submitted that they have since updated the responses on the status of prior year audit matters as indicated in the table below:

S/No	Prior Year Audit Queries	Management Response	Status
1.	<p>Budgetary Performance and Control</p> <p>The summary statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis of Kshs.1,342,121,000 and Kshs.1,286,055,000 respectively, resulting to a budget under funding of Kshs.56,066,000 representing 4% of the budget. Similarly, the University spent Kshs.1,391,618,000 against actual receipts</p>	<p><i>It is true that the summary statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis of Kshs.1,342,121,000 and Kshs.1,286,055,000 respectively, resulting to a budget under funding of Kshs.56,066,000 representing 4% of the budget. Similarly, the University spent Kshs.1,391,618,000 against actual receipts of Kshs.1,286,055,000 resulting to over absorption of Kshs.105,563,000 representing 8% of the receipts. This is explained as follows</i></p> <p>i. Over-absorption</p> <p><i>The over absorption resulted from depreciation charge of Kshs. 86,693,000 during the year. This depreciation was not factored in the approved budget of the University. This omission was noted and corrected in the subsequent budget of 2024-2025 FY. However, depreciation is a non-cash item, and it does not have an impact on cash outflow of the University.</i></p> <p>ii. Under-collection</p> <p><i>The under-collection resulted from lower number of students admitted (2,336) than expected (3000)</i></p>	Addressed

	of Kshs.1,286,055,000 resulting to over absorption of Kshs.105,563,000 representing 8% of the receipts.	<i>causing budget under collection of Kshs. 56,066,000 representing 4% of the budget. The deficit in enrollment affected the University by about Kshs. 119,520,000</i>	
2	<p>Unsustainable Wage Bill</p> <p>The statement of financial performance reflects expenditure on employee costs totaling Kshs.1,055,897,000 and as disclosed in Note 12 to the financial statements. This represents 82% of the total revenue amount of Kshs.1,286,055,000 comprising revenue from both exchange and non-exchange transactions contrary to the Regulation 26(1) of the Public Finance Management (National Government)</p>	<p>Management Response</p> <p><i>The 82% utilization on emoluments was attributed partly to salary adjustments resulting from the implementation of the union's (UASU, KUSU & KUDHEIHA) CBA and return-to-work formula. The University being a service institution relies majorly on human resource as its major resource for service delivery.</i></p> <p><i>Staffing requirement/ratios for the University is determined by regulators, these include Commission for University Education (CUE), professional regulatory bodies i.e. Nursing Council of Kenya (NCK), Kenya Medical Practitioners and Dentists Board (KMPDB), Public Health Officers and Technicians Council (PHOTC), Kenya Nutritionists and Dieticians Institute (KNDI). It is also based on student numbers. The workforce is engaged in the delivery of university core mandate which require a minimum staffing level to maintain service delivery standards as guided by CUE University's Standards and Guidelines (2014) on faculty to students' ratios, academic programme to adequate full-time staff, University workload policy and other regulations.</i></p> <p><i>The University is employing strategies to manage and</i></p>	Ongoing

	<p>Regulations, 2015 which limits the expenditure on wages and remuneration allowances to a maximum of 35% of the total receipts.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>bring the wage bill to the required thresh-hold. This includes;</i></p> <ul style="list-style-type: none"> • <i>Monitoring the University Wage bill through the Risk Management Committee</i> • <i>Controlled hiring and recruitment of staff</i> • <i>Re-deployment of staff to more demanding areas</i> • <i>Job enhancement</i> • <i>Appointment on temporary and part time basis</i> • <i>Outsourcing of non-core activities</i> • <i>Increased revenue</i> <p><i>Notably, from the trend analysis, the wage bill was 82% in 2023/2024; 76% in 2024/2025. This financial year 2025-2026, the University has limited its personnel emoluments to 67% in the approved budget in its efforts towards realization of the 35% threshold. The University endeavors to further reduce this going forward.</i></p>	
3	<p>Stalled Construction Works of Perimeter Fence</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.1,809,378,000. The balance includes buildings net book value of</p>	<p><i>Management Response</i></p> <p><i>Management appreciates the audit observation and reiterates its commitment to completing the perimeter wall project in line with public procurement laws and prudent financial management practices. The University remains committed to ensuring the safety of its community and assets through progressive completion and enhanced interim security measures. The Management has obtained Bills of Quantities from Public Works and we have made an allocation of 48 million in the budget of 2025-26 FY to complete the perimeter fence. The procurement process to award the</i></p>	Ongoing

	<p>Kshs.1,556,069,000 out of which Kshs.45,399,251 was incurred on the construction of the University’s perimeter fence. Physical inspection revealed that, although substantial progress had been made, approximately three (3) kilometers of the wall coverage remains incomplete and the project is stalled thereby posing a risk of access of the institution by unauthorized persons.</p> <p>In the circumstances, the value for money and achievement of intended objective on the expenditure could not be confirmed.</p>	<p><i>works has commenced.</i></p>	
4	<p>Illegal Encroachment</p> <p>The statement of</p>	<p><i>Management Response</i></p> <p><i>The Management has budgeted and planned to undertake the eviction process within the</i></p>	Ongoing

<p>financial position reflects property, plant and equipment balance of Kshs.1,809,378,000. Included in the balance is Kshs.116,680,000 in respect of land on which the university occupies. As previously reported, Management sued and were given order to evict intruders. Physical inspection of the land revealed that the property has intruders who are yet to be evicted. Although Management had sought help from the Ministry of Education and the County Commissioner, the issue was yet to be resolved.</p> <p>In the circumstances, the University risks loss of land and property due to non-enforcement of court</p>	<p><i>FY2025/2026. Currently, the Court Bailiff was engaged and facilitated with preliminary requirements to source for equipment for eviction. The eviction to be undertaken within the FY2025/2026. The University wrote to the Coast Regional Commissioner requesting for support to carry out the eviction. The Coast Regional Commissioner requested the County Commissioner to support the University with the evictions.</i></p>	
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	orders by Management to safeguard its land assets.																																										
5	<p>Inaccurate Receivables from Exchange Transactions Balance</p> <p>The statement of financial position and Note 18 to the financial statements reflects receivables from exchange transactions balance of Kshs.50,028,000. Included in the balance is Kshs.31,806,000 in respect of student debtors out of which a balance of Kshs.26,871,612 relates to fees owed by five hundred and seventy-nine (579) students carried forward from prior years and for which no payments were received during the</p>	<p><i>The dormant debtors as at 30th June 2025 was Kshs. 28,398,536 owed by six hundred and fifty-one (651) students. All the 651 students were not in-session during the 2024-2025 financial year for varied reasons and therefore, they were not invoiced and no payments were received. The current status of these students is analyzed below:</i></p> <table border="1"> <thead> <tr> <th><i>S/N</i></th> <th><i>Category</i></th> <th><i>No. of Students</i></th> <th><i>Amount</i></th> </tr> </thead> <tbody> <tr> <td>1</td> <td><i>Current-Resumed</i></td> <td>282</td> <td>9,692,952.00</td> </tr> <tr> <td>2</td> <td><i>Dropped out</i></td> <td>60</td> <td>1,704,950.00</td> </tr> <tr> <td>3</td> <td><i>Deceased</i></td> <td>1</td> <td>152,400.00</td> </tr> <tr> <td>4</td> <td><i>Deferred</i></td> <td>290</td> <td>16,447,939.00</td> </tr> <tr> <td>5</td> <td><i>Deregistered</i></td> <td>2</td> <td>76,650.00</td> </tr> <tr> <td>6</td> <td><i>Discounted</i></td> <td>1</td> <td>15,750.00</td> </tr> <tr> <td>7</td> <td><i>Suspended</i></td> <td>3</td> <td>50,191.00</td> </tr> <tr> <td>8</td> <td><i>Cleared</i></td> <td>12</td> <td>0</td> </tr> <tr> <td></td> <td>Total</td> <td>651</td> <td>28,140,832.00</td> </tr> </tbody> </table> <p><i>Periodically, the Ministry of Education has directed Universities to allow students with fee balances to sit for examinations.</i></p> <p><i>Notably, the University implemented its collection strategies and recovered Kshs. 257,704.00 from 15 out of 651 students, 12 of whom cleared during 2025-26</i></p>	<i>S/N</i>	<i>Category</i>	<i>No. of Students</i>	<i>Amount</i>	1	<i>Current-Resumed</i>	282	9,692,952.00	2	<i>Dropped out</i>	60	1,704,950.00	3	<i>Deceased</i>	1	152,400.00	4	<i>Deferred</i>	290	16,447,939.00	5	<i>Deregistered</i>	2	76,650.00	6	<i>Discounted</i>	1	15,750.00	7	<i>Suspended</i>	3	50,191.00	8	<i>Cleared</i>	12	0		Total	651	28,140,832.00	Ongoing
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	<p>year under review. In addition, review of records revealed that the five hundred and seventy-nine (579) students were not invoiced during the year an indication that they may have either deferred, discontinued or previously graduated making the debt recoverability doubtful.</p> <p>In the circumstances, the accuracy and fair valuation of receivables from exchange transactions balance of Kshs.50,028,000 could not be confirmed.</p>	<p><i>financial year.</i></p> <p><i>The debtor balance is now Kshs. 28,140,832.00. The Management is keen to ensure more funds are collected as students resume to proceed with their studies.</i></p> <p><i>Additionally, the University appointed a Committee to verify the debts, establish the cause and recoverability of the debts with view to write any irrecoverable debts in line with Public Finance Management Act:</i></p>	
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Committee Observation

637. On the illegal encroachment of university Land, the Committee observes that the evictions are yet to be undertaken.

Committee Recommendation

638. The Committee recommends that the Coast Regional Commissioner should support the University in carrying out the eviction.

6.7.4 Non-compliance with Affirmative Action on Employment

639. Review of payroll records revealed that the University had a total population of four hundred and twenty (420) employees out of which seven (7) were persons living with disability. The persons living with disability represents 1.67% of the total employee population. This is in breach of Section 21(2)(a) of the Persons with Disabilities Act, 2025 which states that where an employer has at least twenty (20) employees, reserve at least five (5%) per cent direct employment opportunities for persons with disabilities to secure employment.

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

Management Response

641. Management submitted that the University had taken the following measures and steps towards ensuring inclusivity in line with the PWD Act 2025:

- i. All Job advertisements clearly state that Persons with Disabilities are encouraged to apply.
- ii. Partnered with the National Council for Persons with Disabilities (NCPWD)
- iii. Shares vacancy advertisements for posting on NCPD platform i.e. FUZU
- iv. The University constituted a Disability Mainstreaming Committee which is mandated to oversee compliance with PWD Act. The Committee has been empowered through various capacity building and training for effectiveness

642. Over the years the number of employees with Disabilities has been increased from 1 in 2013 to the current 7 in 2025. A diversity audit was conducted in 2023/2024 and a three-year Affirmative Action programme on employment of PWDs was provided for Pwani University this will be addressed through recruitment/replacement. In 2024/2025 the University managed to attract 2 persons living with Disability.

643. *However*, there has been challenges attracting PWDs to apply for available vacancies as a result of limited number of qualified applicants due to PhD requirement for teaching positions in Universities.

644. Notably, the University is committed to full compliance with the Persons with Disabilities Act, 2025, and to fostering a diverse and inclusive workforce.

Committee Observation

645. The Committee observed that the University has taken measures towards ensuring inclusivity in line with the PWD Act 2025 and has in its staff complement 7 members of staff who are persons living with disability:

Committee Recommendations

646. The Committee recommends that the University should make deliberate efforts in subsequent recruitments to ensure compliance with PWD Act 2025.

6.7.5 Huge Wage Bill

647. The statement of financial performance reflects employee costs amount of Kshs.1,118,465,000 as disclosed in Note 12 to the financial statements. This represents seventy-six (76%) of the total revenue amount of Kshs.1,463,614,000 comprising of revenue from both exchange and non-exchange transactions. Even though the university is a service institution and its operations are mainly recurrent in nature, the high wage bill negates the government's effort to reduce wage bill to sustainable levels. This is therefore contrary to Regulation 26 (1) (a) of the Public Finance Management (National Government) Regulations, 2015 which states that national government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the national government's equitable share of the revenue raised nationally plus other revenues generated by the national government pursuant to Article 209 (4) of the Constitution.

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

Management Response

649. Management submitted that the 76% utilization on emoluments was attributed partly to salary adjustments resulting from the implementation of the union's (UASU, KUSU & KUDHEIHA) CBA and return-to-work formula. The University being a service institution relies majorly on human resource as its major resource for service delivery.

650. Staffing requirement/ratios for the University is determined by regulators, these include Commission for University Education (CUE), professional regulatory bodies i.e. Nursing Council of Kenya (NCK), Kenya Medical Practitioners and Dentists Board (KMPDB), Public Health Officers and Technicians Council | (PHOTC), Kenya Nutritionists and Dieticians Institute (KNDI). It is also based on student numbers. The workforce is engaged in the delivery of university core mandate which require a minimum staffing level to

maintain service delivery standards as guided by CUE University's Standards and Guidelines (2014) on faculty to students' ratios, academic programme to adequate full-time staff, University workload policy and other regulations.

651. The University is employing strategies to manage and bring the wage bill to the required thresh-hold. This includes;

- i. Monitoring the University Wage bill through the Risk Management Committee
- ii. Controlled hiring and recruitment of staff
- iii. Re-deployment of staff to more demanding areas
- iv. Job enhancement
- v. Appointment on temporary and part time basis
- vi. Outsourcing of non-core activities
- vii. Increased revenue

652. Notably, from the trend analysis, the wage bill was 82% in 2023/2024; 76% in 2024/2025. This financial year 2025-2026, the University has limited its personnel emoluments to 67% in the approved budget in its efforts towards realization of the 35% threshold. The University endeavors to further reduce this going forward.

Committee Observation

653. The Committee observed that the matter has been addressed in the previous financial year and reiterates its recommendations.

6.7.6 Stalled Construction of Perimeter Fence

654. The Statement of Financial Positions reflects property, plant and equipment balance of Kshs.1,798,744,000. The balance includes buildings at net book value of Kshs.1,517,370,000 out of which Kshs.45,399,251 was incurred on the construction of the University's perimeter fence. As was reported in the previous year, although substantial progress had been made, approximately three (3) kilometers of the wall coverage remains incomplete and the project is stalled thereby posing a risk of access of the institution by unauthorized persons.

655. The objective of the project of securing the University against unauthorized entry has not been met despite incurring Kshs.45,399,251 on the project.

Management Response

656. Management appreciates the audit observation and reiterates its commitment to completing the perimeter wall project in line with public procurement laws and prudent financial management practices. The University remains committed to ensuring the safety of its community and assets through progressive completion and enhanced interim security measures. The Management has obtained Bills of Quantities from Public Works and we have made an allocation of 48 million in the budget of 2025-26 FY to complete the perimeter fence. The procurement process to award the works has commenced.

Committee Observation

657. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

6.7.7 Illegal Encroachment

658. The statement of financial positions reflects property, plant and equipment balance of Kshs.1,798,744,000. Included in the balance is Kshs.116,680,000 in respect of land on which the University occupies. As previously reported, Management sued and was given an order to evict intruders. However, physical inspection of the land revealed that the property has intruders who are yet to be evicted. Although Management had sought help from the Ministry of Education and the County Commissioner, the issue was yet to be resolved.

659. In the circumstances, the University risks loss of land due to non-enforcement of court orders by Management to safeguard its land assets.

Management Response

660. The Management has budgeted and planned to undertake the eviction process within the FY2025/2026. Currently, the Court Bailiff was engaged and facilitated with preliminary requirements to source for equipment for eviction. The eviction to be undertaken within the FY2025/2026. The University wrote to the Coast Regional Commissioner requesting for support to carry out the eviction. The Coast Regional Commissioner requested the County Commissioner to support the University with the evictions.

Committee Observation

661. The Committee observed that the matter had been addressed in the previous financial year and reiterates its recommendations.

7.0 KISII UNIVERSITY

662. Prof. Joseph Mailutha, Ag Vice Chancellor, accompanied by;

- i. Mr. Charles Maina - Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Kisii University, on 17th August 2023.

7.1 Audited statements for Financial Year 2018/2019 (Opinion)

7.1.1 Rent for Leased property.

663. Included in General expenses of Kshs.578,994,000 is an amount of Ksh.118,928,000 which was paid as rent to various landlords for the leased properties in respect of four campuses namely, Kericho, Nairobi, Migori and Eldoret. However, the leases were not registered with the state department for housing and urban development which is responsible for public office accommodation lease and management. Further there was no documentary evidence of valuation of the leased properties.

664. Consequently, the regularity and value for money of the expenditure of Ksh. 118,928,000 could not be confirmed.

Management Response

665. Management submitted that, during the year under review the Auditor General noted that the university had paid rent to several landlords where the university has leased premises for its campuses. The university management would like to confirm that all the current leases are drafted and signed by authorized legal practitioners; the university also pays stamp duty for all the leases however with regard to registering of the same with the responsible ministry of the university is fast-tracking the process of the remaining leases. The delay has been occasioned by the continuous reduction of the occupied spaces due to reduced enrolment of module II students.

Committee Observation

666. The Committee observed that the management provided sufficient explanation and evidence, and the matter had been resolved.

7.1.2 Employee Costs

667. The statement of financial performance reflects total expenditure on employee's costs amounting to Kshs.1,768,866,000 compared to total revenue of Ksh.2,509,495,000. The

expenditure on compensation of employees (salaries, benefits and allowances) during the year therefore constituted about 70% of the total revenue. This is contrary to the provisions of regulations 26(1) (a) of the public finance management (National Government) Regulations, 2015 which by implication limits the university's expenditure on compensation of employees including benefits and allowances to not more than 35 percent of its annual revenue.

Management Response

668. Management submitted that Kisii University is a young institution that was only chartered in 2013. The funding that the University has been receiving from the National government in comparison with the annual request is still inadequate. As a result of this under funding the amount spent on employee costs seems to be on the higher side in comparison with the whole budget. On the other hand, the university is still being compelled to recruit, especially more teaching staff by Commission for University Education to meet some key requirements.
669. These requirements have an effect of increasing the employee costs. Other factors contributing to increased wage bill includes Annual salary increments, Promotions and CBA (collective bargaining agreements). Finally, in view of the fact that the total revenue has been declining for the last five financial years whereas the expenditure has remained constant or increased in some instances it is difficult to achieve the percentage threshold as required in the regulations.
670. However, in order to continually address this, challenge the management has taken several measures which are aimed at reducing these costs. The measures include declaration of redundancy and outsourcing of some core activities like cleaning and security services.

Committee observations

671. The Committee observed that the management provided sufficient explanation and evidence, and the matter had been resolved.

7.1.3 Part-Time Lecturers

672. Included in the Trade and other payables from exchange transactions balance of Kshs. 450,591,000 is an amount of Kshs. 221,305,000 which was due to part-time lecturers as at 30th June 2019. (2018-Kshs. 151,526,000). The significant increase of Kshs.69,779,000 or

32% in the amount due to the part time lecturers during the year under review was not satisfactorily explained given that some of them were involved in teaching self-sponsored students who were paying fees.

Management Response

673. The university management submitted that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. As clearly noted elsewhere in this report the university revenues have been declining for the last four years whereas operational expenditure has remained constant or increasing in some instances.
674. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are continuously being paid.

Committee observations

675. The Committee observed that the management provided sufficient explanation and evidence, and the matter had been resolved.

7.1.4 Ethnic Composition

676. A review of personnel records revealed that the university had hired seventyeight (78) new staff during the year 2018/2019. The staff employed were from one dominant ethnic community. This was done contrary to the provision of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in employment.

Management Response

677. The university management submitted that it had always ensured it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings.

678. However, the university management commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce.

Committee Observation

679. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

680. The Committee recommends that the Accounting Officer make a deliberate effort to correct the imbalance by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report

7.2 Audited statements for Financial Year 2019/2020 (Qualified Opinion)

7.2.1 undisclosed Material Uncertainty in relation to the sustainability of services.

681. During the year under review, the University recorded a deficit of Kshs. 508,827,000(2019- deficit of Kshs.19, 602,000) thus reducing accumulated surplus from Kshs.331,319,000 in June 2019 to a negative of Kshs. 177,508,000 as at 30th June2020. Further, the current liabilities of Kshs. 668,048,000 exceeded the current asset of Kshs. 546,903,000 resulting to a negative working capital of 121,145,000 which indicates that the University is likely to be unable to meet its financial obligations as and when they fall due.

682. The University is technically insolvent and if no urgent positive measures are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore, been prepared on a sustainability of services basis on assumption that it will continue to receive financial support from Government, creditors donors.

683. The material uncertainty in relation to sustainability of services has not been disclosed in the financial statements.

Management Response

684. Management submitted that during the year under review the University reported a deficit of Kshs.508,827,000. This trend had continued for the three financial years preceding the year under review.
685. The main reason for this trend is the decrease in revenue raised internally A.I.A(apparaised in the Acronym, section)(Appropriation in Aid). The decline of A.I.A was caused by huge decline in number of self-sponsored students who formed the main source of this revenue stream. This is a result of the government policy where all students who score a minimum of C+ in KCSE exams are admitted in public universities.
686. The other cause is the inadequate funding in form of monthly exchequer from the government. The funds released by the government on monthly basis are barely enough to meet the monthly payroll expenditure leave alone to cater for the other recurrent expenditure. This has been the trend for the last five financial years. In order to remedy the situation, the management has taken several measures which include but not limited to reducing the personnel costs by way of declaring redundancy. The management is also anticipating the introduction of the new financing model of higher education which is aimed at alleviating the financial challenges the institution is currently facing.
687. The management has also outsourced key services like cleaning and provision of security services as a way of reducing costs.

Committee observation

688. The Committee observes that underfunding of the university was a matter that was cross-cutting other universities. The capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.
689. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendation

690. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.

691. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

7.2.2 Long Outstanding Sundry Creditors

692. The statement of financial position reflects a balance of 659,831,000 under trade and other payables from exchange transactions which, as disclosed in 17 to the financial statements, indicates sundry creditors of 43,977,000 which have been outstanding for more than four (4) years. No explanation was provided to delay in settlement of the amount.

693. Consequently, the propriety and validity of sundry creditors balance of Kshs. 43,977,000 as at 30th June 2020 could not be confirmed.

Management Response

694. The University submitted that during the year under review, part of the outstanding payables includes sundry creditors which have been outstanding for long. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. As clearly noted elsewhere in this report the university revenues have been declining for the last four years whereas operational expenditure has remained constant or increasing in some instances. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are continuously being paid.

Committee observations

695. The Committee observes that the payables have been outstanding for a very long and that the University has made progress in settling the amounts owed.

Committee Recommendation

696. The Committee recommends that the University strives to settle the outstanding amount and the Auditor General reports in subsequent audits on the progress made.

7.2.3 Long Outstanding Lease Hold Balance

697. The trade and other payable from exchange transactions balance of Kshs. 659,831,000 also includes an amount of Kshs. 27,000,000 in respect of leasehold. Available information indicates that on 12 August, 2011 Kisii University College entered into lease agreement with the defunct Gusii County council for Kshs. 45,000,000. The latest Payment of Kshs.

600,000 was made 11 July, 2012 resulting to a total payment of Kshs. 18,000,000 hence a balance of Kshs. 27,000,000 which has remained outstanding for more than seven (7) years.

Management Response

698. Management submitted that the lease hold belongs to the University Nyosia farm. (40 Acres) The leasehold was issued by the defunct Gusii county Council. The value of the lease hold was Kshs.45 million. The university has made substantial efforts and paid Kshs.18 milion leaving the current balance. As mentioned above the main reason for non-settlement of these creditors is due to lack of enough funding. However, the management is committed to settle the balance as soon as the funds become available.

Committee observations

699. The Committee observed that the leasehold balance has been outstanding for a very long.

Committee Recommendation

700. The Committee recommends that the University strives to settle the outstanding balance within a year and that the Auditor General reports in subsequent audits on the progress made.

7.2.4 Cash and Cash Equivalents

701. As disclosed in Note 12 to the financial year statements, the statement of financial position reflect a balance of Kshs.138,974,000 under cash and cash equivalents which includes stale cheques amounting to Ksh.177,427,047 in KCB Operations account. No explanation was provided on why the stale cheques were not reversed in in the cashbook.

702. Under the circumstances, the accuracy, validity and completeness of the cash and cash equivalents balance of Ksh. 138,974,000 as at 30 June,2020 could not be confirmed.

Management Response

703. Management submitted that the stale cheques were written back to the cash book as per the auditor's recommendations and adjusted accordingly. The same can be verified by reviewing the cash books and reconciliations. The cash books and reconciliations have been provided for reference.

Committee Observations

704. The Committee observed that the reconciliation had been done and the matter is therefore resolved.

7.2.5 Long Outstanding Receivables

705. The statement of financial position reflects a balance of Kshs. 393,547,000 under receivables from exchange and non-exchanges transactions which, as disclosed in Note 13 the financial statements, includes fee balances of 197,937,000 and general debtors amounting of 1,397,000. However, the aging analysis of debtors was not provided for audit review. Consequently, the accuracy and completeness and propriety of Kshs.393,547,000 as at 30 June 2020 could not be confirmed.

Management Response

706. Management submitted that during the year ended 30th June 2020. The university was owed an amount of Kshs.197,937,000 by the student debtors. The university has put in mechanisms to ensure all students clear their fees within the required timelines. However, the management has put in mechanisms to ensure the outstanding balances was paid.

The table below shows how much has been received from the student debtors

Item	Opening Balance Kshs.	Total received to date. Kshs.	Balance
Fee balances	197,937,000	194,903,000	3,034,000
General debtors	1,397,000	1,397,000	nil

Committee Observations

707. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

7.2.6 Budgetary Control and Performance

708. The statement of comparative budget and actual amounts reflects a total recurrent budgeted revenue of Ksh. 3,013,728,000 and actual receipts of Ksh. 2,128,061,000 resulting to a revenue shortfall of Kshs. 885,667,000 the statements also reflects a total recurrent expenditure budget of Ksh.3,013,728,000 and an actual expenditure of Kshs. 2,636,888,000 resulting to overall deficit of Kshs. 376,840,000 or 13% of the recurrent budget. Similarly, the statement of comparison of budget and actual reflects a development expenditure budget of Kshs. 280,160,000 and an actual expenditure of Ksh 148681000 resulting to overall deficit of Kshs.131,479,000 or 47% of the development budget. The budget shortfall and the under-expenditure may have affected the planned activities of the university college.

Management Response

709. Management submitted that during the year under review the university was not able to meet the budget. As clearly noted elsewhere in this response the university was not able to realize the budgeted revenue due to factors beyond the universities control. The onset of COVID 19 and the continuous decline of AIA updated in the acronym section revenue due to reduced enrolment of module II students greatly affected the budget performance.

Committee observation

710. The Committee observed that the underfunding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.
711. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income-generating internal capacity and potential.

Committee Recommendation

712. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.
713. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

7.2.6.1 Property, plant and Equipment – Construction of ICT Village, Multipurpose Lecture theatre and Tuition Block.

714. The statement of financial position reflects a balance of financial position of Kshs 3,059,408,000 under property plant and equipment which, as disclosed in note 15 to the financial statements, includes additions to work in progress (WIP) made during the year amounting to Kshs.216,176,000. Review of documents relating to the projects indicated that the approved completion time for the projects was 31st December 2019.
715. However physical verification on 12th November 2020 on the three projects namely construction of ICT village, multipurpose lecture theater and tuition block revealed that the projects were incomplete. Power was not connected, the buildings had cement flooring instead of ceramic tiling's as per the bills of quantities while construction of the car park and walkways had not started.
716. Consequently, the value for money of KshS. 216,176,000 on work in progress on the delayed projects for the year ended 30 June 2020 could not be confirmed.

Management Response -Project Status

717. The university management submitted that during the period of review the institution had three ongoing projects which are funded by the Exchequer. The projects are Lecture Theatres, ICT Center and the Tuition Block. Due to funding challenges from the Government the projects have taken a long period of time to complete.
718. Despite the funding challenges and as clearly noted in your report the projects are in the final stages of completion. In order to ensure that the remaining aspects of the projects are completed and with the support of the National Government the following has been achieved.
- i. The process of power reticulation was completed and the buildings now have stable power.
 - ii. The car park was constructed and is being used.
 - iii. The first phase of ICT village was completed and is already in use. The second phase of the project is at advanced stages of completion.
 - iv. The furniture has already been installed in the multipurpose theatre and is ready for use.

The projects status report is attached

719. ICT Village Contract Sum Kshs. 784,016,333. The project is on course and will be completed within the current financial year. The first phase is complete and the second phase is at an advanced stage of completion.
720. Tuition Block Contract Sum Kshs. 306,534,994-The tuition block is completed and has been handed over to the university. The handing over certificate is attached.
721. Lecture Block Contract Sum Kshs. 118,366,784- The lecture block theatre is complete awaiting landscaping.

Committee observation

722. The committee observed that the projects are complete and currently in use and the matter is therefore resolved.

7.2.7 Trade and other payables from exchange transactions- statutory deductions.

723. The statement of financial position reflects a balance of Kshs.659,831,000 under trade and other payables from exchange transactions which as disclosed in note 17 to the financial statement includes an amount of Kshs.337,792,000 in respect of other university staff pay and deductions .The statutory deductions which included pay as you earn (PAYE) of Kshs.23,255,697, pension fund deductions of Kshs.183,953,791 and Sacco deductions of Kshs.22,464,786 all totaling Kshs.229,674,274 were not remitted to the relevant bodies and have been outstanding for a long time.
724. Non-remittance of the statutory deductions is a breach of the law which may attract heavy penalties and interests for noncompliance.

Management Response

725. Management submitted that during the year under review, part of the outstanding payables included unremitted statutory deductions The main reason for nonpayment of these statutory deductions is due to lack of enough funds. As clearly noted elsewhere in this report the university revenues have been declining for the last four years whereas operational expenditure has remained constant or increasing in some instances. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time.

The table below shows the payments done.

Item	Outstanding amount Kshs.	Amount Paid	Outstanding Balance
PAYE	23,255,697	23,255,697	nil
Sacco deductions	22,464,786	7,240,705	15,224,081
Pension dues	183,953,791	54,163,912	129,789,879

Committee observation

726. Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.

Committee Recommendation

727. The Committee recommends that the University strives to clear the outstanding amounts within one year.

7.2.8 Noncompliance to a third rule on salary deductions.

728. Review of the university payroll revealed that 47 staff members were receiving less than a third of the basic salary contrary to the provisions of Section 19(3) of the Employment Act ,2007 which provides that the total amount of all deductions made by an employer from the wage of his employee at any one time shall not exceed two thirds of such wages.

Management Response

729. The management of the University submitted that it was already ceased of the matter and had taken action to ensure full compliance. Management through the office of DVC administration planning and finance issued a circular banning all staff welfares in the university which were the main cause of this non-compliance. Communication was also done to all employees to regularize their pay by adhering to the requirement.

Committee observations

730. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

731. The committee recommends that the Accounting Officer henceforth complies with the provisions of Section 19(3) of the Employment Act of 2007 which provides that the total amount of all deductions made by an employer from the wage of his employee at any one time shall not exceed two thirds of such wages.

7.2.9 Staff regional Diversity.

732. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.2.10 Lack of an Approved Finance policy.

733. Review of the organizations policy manual revealed that Kisii University Finance department did not have an approved finance manual in place to govern its financial and administrative functions. This is contrary to Regulations 9 (4) of the Public Financial Management (National government) Regulations, 2015 which states that the financial manuals should contain relevant procedures for the budget preparation, budget execution, keeping of books of accounts, formats of financial statements and government standard chart of accounts issued by the National Treasury.

Management Response

734. As previously indicated during the time of audit the finance management policy was among other policies which were at advanced levels of approval.

Committee Observations

735. The committee observes that the matter has been resolved since the University provided an approved finance management policy.

7.3 Audited statements for Financial Year 2020/2021(Qualified Opinion)

7.3.1 Non-Disclosure of material uncertainty in relation to the sustainability of services

736. During the year under review, the University recorded a deficit of Kshs. 508,827,000(2019- deficit of Kshs.19, 602,000) thus reducing accumulated surplus from Kshs.331,319,000 in June 2019 to a negative of Kshs. 177,508,000 as at 30th June2020. Further, the current liabilities of Kshs. 668,048,000 exceeded the current asset of Kshs.

546,903,000 resulting to a negative working capital of 121,145,000 which indicates that the University is likely to be unable to meet its financial obligations as and when they fall due. The University is technically insolvent and if no urgent positive measures are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore, been prepared on a sustainability of services basis on assumption that it will continue to receive financial support from Government, creditors donors.

737. The material uncertainty in relation to sustainability of services has not been disclosed in the financial statements.

Management Response

738. Management submitted that during the year under review the University reported a deficit of Kshs.508,827,000. This trend had continued for the three financial years preceding the year under review. The main reason for this trend is the decrease in revenue raised internally A.I.A (Appropriation in Aid). The decline of A.I.A was caused by huge decline in number of self-sponsored students who formed the main source of this revenue stream. This is a result of the government policy where all students who score a minimum of C+ in KCSE exams are admitted in public universities.
739. The other cause is the inadequate funding in form of monthly exchequer from the government. The funds released by the government on monthly basis are barely enough to meet the monthly payroll expenditure leave alone to cater for the other recurrent expenditure. This has been the trend for the last five financial years. In order to remedy the situation, the management has taken several measures which include but not limited to reducing the personnel costs by way of declaring redundancy.
740. The management is also anticipating the introduction of the new financing model of higher education which is aimed at alleviating the financial challenges the institution is currently facing. The management has also outsourced key services like cleaning and provision of security services as a way of reducing costs.

Committee Observation

741. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.2 Long outstanding receivables from exchange transactions.

742. As disclosed in Note 13 to the financial statement of financial position as at 30 June 2021 reflects receivables from exchange and non-exchange transactions net balance of Kshs. 197,926,000 after provision for bad and doubtful debts Kshs.10,417,000. The gross balances of Kshs.208,343,000 include the student's debtors (outstanding fees) amounting to Kshs.203,910,000 that have been long outstanding. No satisfactory reason was provided for failure to collect student debts and provision for bad debts 5% appear to be inadequate.
743. Consequently, accuracy, completeness and fair presentation of the receivables from exchange and non-exchange transactions net balances of 197,926,000 as at 30 June, 2021 could not be confirmed.

Management Response.

744. Management submitted that during the year ended on 30th June 2021. The university was owed an amount of Kshs. 203,910,000 by the student debtors. The university has put in mechanisms to ensure all students clear their fees within the required timelines. However, it is important to note that for the year under review the university was closed during the last quarter due to COVID 19 pandemic hence making it difficult to collect the fees. However, the management put in mechanisms to ensure the outstanding balances was paid when the University was reopened.

Committee Observation

745. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.3 Long outstanding trade and other payables from exchange transactions.

746. The statement of financial position reflects trade and other payables from exchange transactions balances of Kshs. 791,070,000 as disclosed in Note 17 to the financial statements. The balance includes University staff pay and deductions amount of Kshs. 469,526,000 which further includes unremitted PAYE of 25,437,458, pension contributions of 292,904,712 that have been long outstanding. Further, the trade and other payables balances includes are unpaid part time expenses totaling Kshs.182,650,000 which similarly, have been long outstanding the Management did not provide an explanation for failure to meet the obligations. In circumstances, failure by Management to meet

obligations as they as fall due exposes the University to penalties and litigations from suppliers.

Management Response

747. Management submitted that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. As clearly noted elsewhere in this report the university revenues have been declining for the last four years whereas operational expenditure has remained constant or increasing in some instances.
748. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time.

Committee Observation

749. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same

7.3.4 Budget and Budgetary Performance.

750. The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects budgeted revenue of Kshs. 2,823,426,000 while the actual receipts were Kshs.1,841,515,000 resulting in a revenue shortfall of Kshs. 981,911,000 or 35% of the targeted revenue. Similarly, the University had budgeted to spent Kshs. 2,823,426,000 but the actual total expenditure was Kshs 2,121,458,000 resulting in an under-expenditure of Kshs. 701,968,000 or 25% of the budgeted amount. The shortfall of revenue and under-expenditure implies that the University did not realize its goal and objectives as planned during the year under review.

Management Response

751. Management submitted that during the year under review the university was not able to meet the budget. As clearly noted elsewhere in this response, the university was not able to realize the budgeted revenue due to factors beyond the university's control. The onset of COVID 19 and the continuous decline of AIA revenue due to reduced enrollment of module II students greatly affected the budget performance

Committee Observation

752. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.5 Stalled Capital Projects.

753. The statement of financial reflects property, plant and equipment balance of Kshs. 3,104,889 as disclosed in Note 15 to the financial statements. The balance includes work in progress of Kshs. 2,579,740,000. Review of documents relating to work in progress revealed that work on three projects of ICT Village (contract sum-Kshs. 784, 016,033), tuition block (contract sum-Kshs.306,534,994) and lecturer block(contract sum – Kshs. 118, 366,784) stalled in the year under review and the contract period had lapsed.

754. In circumstances, delayed completion of the projects may lead to cost escalations arising from variations due to contract period extensions.

Management response

755. Management submitted that during the period of review the institution had three ongoing projects which are funded by the Exchequer. The projects are Lecture Theatres, ICT Center and the Tuition Block. Due to funding challenges from the Government the projects have taken a long period of time to complete. Despite the funding challenges and as clearly noted in your report the projects are in the final stages of completion. In order to ensure that the remaining aspects of the projects are completed and with the support of the National Government the following has been achieved

- i. **Power Reticulation** - The process of power reticulation was completed and the buildings now have stable power.
- ii. Car park - The car park was constructed and is being used.
- iii. ICT village - The first phase of ICT village was completed and is already in use. The second phase of the project is at advanced stages of completion.
- iv. Furniture - The furniture has already been installed in the multipurpose theatre and is ready for use.

756. ICT Village Contract Sum Kshs. 784,016,333. The project is on course and will be completed within the current financial year. The first phase is complete and the second phase is at an advanced stage of completion.

757. Tuition Block Contract Sum Kshs. 306,534,994 - The tuition block is completed and has been handed over to the university. The handing over certificate is attached.

758. Lecture Block Contract Sum Kshs. 118,366,784 - The lecture block theatre is complete, awaiting landscaping.

Committee Observation

759. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.6 Non-compliance with Law on the Fiscal Responsibility Wage Bill.

760. The statement of financial performance reflects employees costs totaling Kshs.1,529,856,000 and total revenue of Kshs. 1,841, 515,000 for the year ended 30 June, 2021. An analytical review of the employees' costs as a percentage of total revenue revealed that that the employees' costs constituted 83% of the total revenue contrary to the maximum threshold of 35% provided for under Regulation 107(2) of Public Finance Management (National Government) Regulations 2015.

761. Consequently, the Management was in breach of the law.

Management Response

762. Management submitted that Kisii University is a young institution which was only chartered in 2013. The funding that the University has been receiving from the National government in comparison with the annual request is still inadequate. As a result of this under funding the amount spent on employee costs seems to be on the higher side in comparison with the whole budget. On the other hand, the university is still being compelled to recruit, especially more teaching staff by Commission for University Education to meet some key requirements. These requirements have an effect of increasing the employee costs. Other factors contributing to increased wage bill includes Annual salary increments, Promotions and CBA (collective bargaining agreements).

763. Finally, in view of the fact that the total revenue has been declining for the last five financial years whereas the expenditure has remained constant or increased in it is difficult to achieve the percentage thresh hold as required in the regulations. However, in order to continually address this, challenge the management has taken several measures which are aimed at reducing these costs. The measures include declaration of redundancy and outsourcing of some core activities like cleaning and security services.

Committee Observation

764. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.7 Non-compliance with Law on Ethnic Composition.

765. Review of the human resource record revealed that 70% of the staff members were from one ethnic community this is contrary to section 7(1) and (2) of National Cohesion and Integration Act, 2008 which state that all public establishments seek to represent the diversity of the people of Kenya in employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community. Consequently, the Management was in breach of the law.

Management Response

766. Management submitted that it has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce.

Committee Observation

767. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

7.3.8 Appointment on Acting Positions.

768. Audit verification of staff of files and payrolls revealed that eight (8) members of staff had been appointed to acting positions at the University for a period beyond the stipulated six (6) months. Some officers had served on acting capacity for a period exceeding six-two (62) Months. The management therefore contravened Section C. 14(1) of the Human Resource Policies and Procedures Manual for acting for more than six Months.

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

Management Response

770. Management submitted that it is well ceased of the matter and necessary remedial action was initiated. The university advertised for the senior positions in the month of February 2023 and redeployed the other affected officers, however the process stalled due to court litigation from the trade unions. The court advised that the process be restarted. The management has undertaken to complete the process once a substantive Vice chancellor is appointed. The current status of the officers is as indicated below.

Committee observation

771. The Committee observed that management contravened Section C. 14(1) of the Human Resource Policies and Procedures Manual for acting for more than six months.

Committee recommendation

772. The committee severely reprimands the Council and the Accounting Officer and recommends that the university complies with Section C. 14(1) of the Human Resource Policies and Procedures Manual.

7.3.9 Lack of ICT Continuity and Disaster Recovery Plans.

773. During the year under review, the University operated without an approved Information System Disaster Recovery Plan and a Business Continuity plan contrary to the Government ICT Standard ICTA-3.002:2019 which requires ministries, counties, and state agencies to develop, implement and maintain business continuity and disaster recovery plan.

774. Consequently, any disruptive event affecting the information system may render the University unable to recover the lost data or continue operating normally.

Management Response

775. Management submitted that there is currently an offsite backup storage that periodically mirrors a full backup of the ERP system database. Together with this, the University has in place an Information Security Management System (ISMS ISO 27001) team that has undertaken documentation of an Information Security Policy which is currently in draft format pending management review and approval. The draft policy highlights the area of business continuity and once approved will guide development of a business continuity and disaster recovery plan.

Committee Observations

776. The committee observes that the lack of an ICT continuity disaster recovery plan puts the institution at risk of losing its data.

Committee Recommendations

777. The committee recommends that the Accounting Officer ensures the draft policy is reviewed and approved and the Auditor General reports on the matter in subsequent audits.

7.3.10 Ownership of software Licenses and IT technical support.

778. A walkthrough of University IT system revealed the University does not have license for the information technology applications in use. Further some computers cannot receive security updates because the installed operating systems is no longer supported by the service provider.

779. In the circumstances, the lack of ownership for software license and IT technical support exposes the University to loss of data.

Management Response

780. Management submitted that the University has in its 2023/2024 ICT Department Annual Procurement plan and budget allocation a provision for Microsoft Office 2016 (KMS) 500 Users and Windows 10 Microsoft enterprise edition volume license key (500 users). The acquisition of these two packages is intended to solve the challenge on ownership of software licenses.

Committee Observations

781. The committee observed that the lack of ownership for software license and IT technical support exposes the University to loss of data.

Committee Recommendations

782. The committee recommends that the Accounting Officer ensures the ownership licences are acquired and the Auditor General reports on the matter in subsequent audits.

7.4 Audited statements for Financial Year 2021/2022 (Qualified Opinion)

783. Prof. Nathan O. Ogechi, the Vice Chancellor, accompanied by;
i. CPA. Charles Maina- Finance Officer

- ii. Dr. Stella Anyega- Registrar AHRCs
- iii. Mr. Titus Muema- Head of Procurement

Appeared before the Committee to adduce evidence on the audited accounts of Kisii University on 26th June 2025.

7.4.1 Long outstanding and unsupported fee balances

784. The statement of financial position reflects receivables from exchange transactions balance of Ksh. 126,943,000 which is net provision for bad debts of Ksh. 6,681,000. As disclosed in note 15 to the financial statements the amount includes fee balances amounting to Ksh. 131,221,000 which has been outstanding for a long period of time, contrary to university regulations which requires students to pay fees before receiving services from the university.

785. In addition, a schedule in support in support of fee balances was not provided for audit review further it was not possible to generate the student fee balances report from the student management system. In the circumstances the accuracy, completeness and recoverability of the long outstanding fee arrears of Ksh. 131,221.000 as at 30th June 2022 could not be confirmed.

Management Response

786. Management submitted that they concurred with your observations that during the year ended 30th June 2022. The university was owed an amount of Kshs.131,221,000 by the student debtors. The university has put in mechanisms to ensure all students clear their fees within the required timelines. The university ERP system has also been upgraded to enable real time processing of students data.

787. The table below shows how much has been received from the student debtors

Item	Opening Balance Kshs.	Total received to date. Kshs.	Balance
Fee balances	131,221,000	131,221,000	Nil

Committee Observation

788. The committee observed that evidence of the payments of Kshs.131,221,000 by students was provided and the matter is therefore resolved.

7.4.2 Material Uncertainty Related to the Sustainability of Services

789. I draw attention to note to note 5 (b) statement of financial statements which indicates that the university incurred a deficit of Ksh.30,226,000 during the year under review and accumulated deficit of Ksh. 487,677,000 as at 30th June 2022. In addition, the university current liabilities totaling to Ksh. 571,448,000 these conditions indicate the existence of a material uncertainty which may lead to significant doubt of the university ability to continue sustaining its services.

790. The management indicated that the university future depended on the continued financial support from the national government and creditors.

Management Response

791. We concur with your observation that during the year under review the University reported a deficit of Kshs.30,226,000. This trend has continued for the last five financial years. The main reason for this worrying trend was the sudden drop in revenue raised internally A.I.A (Appropriation in Aid). The sudden drop of A.I.A was caused by huge decline in number of self-sponsored students who formed the main source of this revenue stream.

792. The other major cause of this worrying trend is the inadequate funding in form of monthly exchequer from the government. The funds released by the government on monthly basis are barely enough to meet the monthly payroll expenditure leave alone to cater for the other recurrent expenditure. This had been the trend for the last five financial years.

793. However, with the recent introduction of the new funding model the trend is likely to change as the university is now able to meet its short term obligations and has been able to reduce to a great extent the huge pending bills. The university has recorded surplus in the last two financial years and has been able to offset the accumulated deficit. The table below indicates the current position.

Table 1.

Accumulated Surplus/Deficit	
Financial Year	Kshs.
Bal. B/f 01/07/2008	
2008-2009	46,322

Accumulated Surplus/Deficit	
Financial Year	Kshs.
2009-2010	110,622
2010-2011	52,808
2011-2012	32,331
2012-2013	28,895
2013-2014	22,806
2014-2015	26,489
2015-2016	22,241
2016-2017	4,351
2016-2017	4,056
2018-2019	(19,602)
2019-2020	(508,827)
2020-2021	(279,943)
2021-2022	(30,226)
2022-2023	(173,413)
2023-2024	688,550
Balance as at 30/06/24	27,460

Committee Observation

794. The committee observed that the institution had a negative working capital due to the implementation of the new funding model, which reduced the institution's A.I.A.

Committee Recommendations

795. The Committee recommends that the Accounting Officer should explore other income-generating programs to supplement the institution's income and reduce overreliance on government funding. The Committee further recommends that the National Treasury should ensure timely and adequate disbursement of capitation funds to minimize the accumulation of receivables.

7.4.3 Budgetary control and performance

796. The statement of comparison of budget and actual amounts reflects budgeted revenue of Ksh.2,125,470,000 and actual receipts of Ksh.2,219,904,000 resulting in revenue surplus of Ksh. 94,434,000. The surplus was attributed to income received from income generating units amounting to Ksh.95,909,000 which had not been included in the budget. In addition the university spent Ksh.2,250,130,000 against a budget of Ksh.2,125,470,000 resulting in an over expenditure of Ksh.124,660,000 or 6% of the budgeted amount. However approval for the over expenditure of Ksh.126,660,000 by university council as required by section 44(2) of the university Act was not provided for audit. In the circumstances the regularity of the over expenditure of Ksh.126,660,000 could not be confirmed.

Management Response

797. Management submitted that during the year actual receipts were Ksh. 2,219,904,000 in comparison with the budgeted amount of Ksh. 2,125,470,000. The over expenditure was regularized through council approval in the subsequent budget. Kindly find the approved budget for the financial year 2022-2023.

Committee Observation

798. The committee observed that the management provided the council minutes approving the over expenditure of Ksh.126,660,000. The matter is therefore adequately addressed.

7.4.4 Partial implementation of E procurement system

799. Review of the procurement process during the year under review revealed that the management had not fully implemented the E-procurement system contrary to regulation 49(2) of the public procurement and asset disposal regulation 2020 which provides that the procuring entity should conduct e procurement procedures for the supply of goods, works and services shall be carried out using an E-procurement system which is integrated to the state portal. In the circumstances, the efficiency and effectiveness of the procurement process could not be confirmed. In addition, the management was in breach of the law.

Management Response

800. Management submitted that it is determined to comply with Regulation 49(2) of the Public Procurement and Asset Disposal Regulation. In so doing, we have interfaced the ERP system with the state portal in respect of: –

- i. Procurement planning
- ii. Registration of suppliers

- iii. Publication of notices
- iv. Publication of tender awards
- v. Requisition
- vi. Generation of orders
- vii. Notification and acceptance of tender awards
- viii. Publication of contract awards

801. To fully utilize the e-procurement system as was envisaged for effective and efficient management of the procurement function, the University management has engaged the ERP vendor to enhance the procurement module to address the following, so as to comply with Regulation 49(1) and (2): -

- i. Submission and opening of tenders
- ii. Tender evaluation
- iii. Requesting for information on tender or disposal process
- iv. Digital signatures
- v. Invoicing

802. However, with the recent roll out of E-Gp training by National Treasury the university has management has already sponsored staff to attend the training and is ready for rollout by 1st July 2025 as directed by the Head of State. Kindly find attached the latest guidelines on e-procurement.

Committee Observation

803. The committee observed that the E-Procurement guidelines issued in March 2025 had been partially implemented.

Committee Recommendations

804. The committee recommends that the Accounting officer should adhere to Regulation 49(2) of the Public Procurement and Assets Disposal Regulations, 2020 which states that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

7.4.5 Trade and other payables from exchange transactions.

7.4.5.1 Non remittance of staff and statutory deductions

805. The statement of financial position reflects trade and other payables from exchange transactions balance of Ksh.750,829,000 which as disclosed in note17 to the financial statements includes university staff pay and deductions of Ksh.453,794,000 in respect of unremitted university pay and deductions. Review of the aging analysis of the balance revealed that the deductions had exceeded the statutory remittance period. Failure to remit the statutory deduction on the time may result in the university incurring interest and penalties.

Management Response

806. The university concurs with your observation that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time. Since the year ended the management has made a lot of progress in settling the unremitted deductions. This has been made possible after the government released the funds under the new funding model. In view of the circumstances the university has entered into several repayment plans with statutory bodies with regard to settlement of the outstanding dues. The table below indicates the current status of the staff pay deductions.

Table 2

Item	Balance
Gusii Sacco	nil
Egerton Sacco	nil
Mwalimu National	nil
Insurance Premiums	nil
PAYE	nil
Bank Loans	nil
KUASWA	nil
Egerton pension	509,890,084
Total	509,890,084

Committee Observation

807. The committee observed that the management provided a remedial action plan for the payment of the statutory deductions and the issue is to be kept in view by the OAG.

7.4.6 Retention monies not deposited in retention account

808. Examination of payments in respect of acquisition of permanent works revealed that retention monies totaling to Ksh.9,142,000 were deducted from contractors but were yet to be deposited in to retention bank account. Therefore, the retained amounts which were due to contractors and may have been utilized for purposes other than intended. In addition, there was no indication that the management will be able to pay the retained amounts when they fall due.

Management Response

809. The management has already acted on the auditor's recommendation and opened a retention account. All the necessary approvals were sought before the account was opened. Kindly see the National Treasury approvals.

Committee Observation

810. The committee observed that the evidence of approval and opening of the retention account was provided and verified by the OAG and the matter was hereby addressed.

7.4.7 Acting Appointments Beyond 6 months.

811. Review of the personnel records reveal eighteen (18) employees including management staff were serving in acting appointments and continued to draw acting allowances for these positions. In addition, the employees had been in acting capacities for periods beyond the six months provided in the human resources policies and procedures manual for public service.

812. In the circumstances management was in breach of public service policies and practices.

Management Response

813. Management submitted that it is well ceased of the matter and necessary remedial action was initiated. The university advertised for the senior positions in the month of February 2023 and redeployed the other affected officers, however the process stalled due to court litigation from the trade Unions. The court advised that the process be restarted. The management has undertaken to complete the process in the coming Financial Year. The process of filling senior management offices is being undertaken by public service

commission which is the body mandated by law to fill the vacancies. Kindly find attached the court ruling and table indicating the current status of all the affected officers.

Committee Observation

814. The committee observed that Management had budgeted for filling of the positions, other than those under PSC, in the financial year 2025/2026.

Committee Recommendations

815. The committee recommended the establishment of a law to compel the Public Service Commission to fill positions in a timely manner in compliance with Section 34(3) of the Public Service Commission Act, 2017, which provides that, an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

816. And also ensure compliance with Section C.14 (1) of the Human Resource policies and manual for public service provides that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

7.4.8 Noncompliance with Law on Ethnic Composition

817. Review of employee records revealed that 70% of employee were from one ethnic community. This was contrary to section 7(1) and (2) of the National Cohesion and integration Act, 2008. Which provides that all public establishments shall seek to represent diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

818. In the circumstances the management was in breach of law.

Management Response

819. Management submitted that it has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management

commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce. The table below indicates the current distribution of the University work force.

a) Non-Teaching Staff

No	Tribe	Number	Percentage
1	KISII	217	72.3
2	LUO	25	8.3
3	KALENJIN	19	6.3
4	KIKUYU	12	4
5	LUHYA	12	4
6	KAMBA	5	1.6
7	MERU	4	1.3
8	POKOT	3	1.3
9	SAMBURU	1	0.3
10	KURIA	1	0.3
11	MAASAI	1	0.3
	Total	300	100

b) Teaching Staff

No	Tribe	Number	Percentage
1	KISII	174	55.8
2	LUO	38	12.2
3	KALENJIN	35	11.2
4	LUHYA	31	9.9
5	KIKUYU	15	4.9
6	KAMBA	10	3.2
7	POKOT	3	1.0
8	KURIA	2	0.6
9	MERU	1	0.3

10	EMBU	1	0.3
11	MARAKWET	1	0.3
12	TURKANA	1	0.3
	Total	312	100

Committee Observation

820. The committee observed that the institution is located in a cosmopolitan environment and had no excuse not to comply with the law.

Committee Recommendations

821. The committee recommends that the institution makes deliberate efforts to comply with the law within two years of appearing before the committee in compliance with section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya ,in the employment of staff and no public establishment should have more than one third of its staff from the same ethnic community.

7.4.9 Failure to appoint a chancellor of the University

822. Review of governance and management records of the university revealed that the university had operated for the past five years without a chancellor after the expiry of the term of the immediate former chancellor in February 2018. The university hierarchy was therefore not properly constituted which hinders strategic decisions and leadership. In the circumstances decisions made by the university council during the period my not be binding.

Management Response

823. The appointment of a chancellor is a mandate bestowed to the president of the republic of Kenya. However, despite several reminders which the university have sent to the ministry of education the appointment has not been done. The university management will however continue following on the same.

Committee Observation

824. The committee observed that the vice chancellor had not been appointed at the time the institution appeared before the committee.

Committee Recommendations

825. The committee recommends that the Cabinet Secretary for the Ministry of Education should appoint the chancellor in accordance with Section 38(1)(a) of the Universities Act, 2012, which states that every university shall have a Chancellor, who shall be appointed in the case of a public university, by the President in accordance with the procedure set out in the Second Schedule.

7.4.10 Lack of Business Continuity and Disaster Recovery Plan

826. During the year under review the university did not have in place an information system disaster recovery plan and a business continuity plan. Therefore, there was no documented process to guide mitigation against any event affecting the information system, information recovery and business continuity. In the circumstances the security of the university information system could not be guaranteed.

Management Response

827. Management submitted that there is currently an offsite backup storage with KENET that periodically mirrors a full backup of the ERP system database. Together with this, the University has in place an Information Security Management System (ISMS ISO 27001) team that has undertaken documentation of an Information Security Policy which is currently in draft format pending management review and approval. The draft policy highlights the area of business continuity and once approved will guide development of a business continuity and disaster recovery plan. Kindly find attached the draft policy

Committee Observation

828. The committee observed that the institution currently has a business continuity and disaster recovery plan, which is in a draft form.

Committee Recommendations

829. The committee recommends that Management must follow the Government ICT Standard ICTA-3.002:2019 Section 7.3.2.1. which states that MCDA shall develop, implement and maintain business continuity and disaster recovery plan. Information security requirements shall be determined when planning for business continuity and disaster recovery, and the Government ICT Standard ICTA-3.002:2019 Section 7.3.2.2. which states that the organization shall establish, document, implement and maintain processes, procedures and controls to ensure the required level of continuity for information security during an adverse situation.

7.5 Audited statements for Financial Year 2022/2023 (Qualified Opinion)

7.5.1 Irregular Overpayment of Allowances

830. The statement of financial performance reflects employee costs amounting to Kshs. 1,584,566,000 which, as disclosed in Note 9 to the financial statements includes salaries and wages amounting to Ksh.1,540,842,000. This amount included payment of allowances amounting to Ksh.150,068,000 which were based on the collective bargaining agreement CBA 2013-2018 which the university entered into with the trade unions without seeking the advice of salaries and remuneration commission and which had not been registered at the employment and labour relations court .If the allowances were based on the CBA 2012 - 2013 that was approved by SRC the amount could have been Ksh.125,697,000 resulting in overpayment totaling to Ksh.24,371,000.

831. In the circumstances the regularity of the payment of allowances amounting to Ksh.150,068,000 could not be confirmed.

Management Response

832. The management submitted that they concurred with the auditors' observation that during the year under review the University incurred Kshs. 1,540,842,000 on salaries and wages. As clearly noted in the report the University implemented the 2023-2017 CBA after successful negotiation and signing with the local trade unions. However, the same was not registered by ELRC. (Employment and Labour Relations Court) as required by law. In order to address this, matter the university Council has already started the process of engaging SRC with a view of getting clearance so that the CBAs can get registered.

833. The university Council engaged SRC for consultative meeting which was held on 18th March 2024 to address the issue. During the meeting SRC guided that any historical issue with previous CBA,s should be addressed during the current cycle of 2021 -2025 internal CBA,s The university management is committed in ensuring the CBAs are negotiated and registered within the shortest time possible.

Committee observation

834. The committee observed that management breached Section 68(1) of the Public Finance Management Act, 2012 which states that an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or

she is the accounting officer are used in a way that is— (a) lawful and authorised; and (b) effective, efficient, economical and transparent.

Committee Recommendations

835. The committee recommends that the accounting officer complies with the guidelines provided by the SRC and the OAG to keep the matter in view.

7.5.2 Unsupported payment of contracted Services

836. The statement of financial performance reflects contracted services part time expenses amount of Ksh.237,877,000 as disclosed note 11to the financial statements. The amount includes accrued apart time expenses of Ksh.148,983,000 some dating as far back as 2013 which could not be verified as the university did not keep proper records of amounts payable to contracted lecturers. Further payment vouchers amounting to Ksh. 1,776,000 were supported by photocopies of examination attendance sheets which were among the documents that the university required to process payment to lecturers and other documentation instead of original documents.

837. In the circumstances, the accuracy and completion of contracted services part time expenses amount of Ksh. 237,897,000 could not be confirmed

Management Response

838. The university management submitted that they concurred with the observation that during the year under review, part of the incurred expenditure includes payments to part-time lectures. The management has noted the concerns raised by the auditor with regard to proper record keeping and the same has been improved. The management has also instructed the concerned departments to ensure that all claims submitted for payments to finance departments have all the attachments in their original versions including the exam attendance sheets. The management has made the necessary changes to ensure that claims are submitted within the required time. The delay was caused by part time lecturers who kept on demanding previous payments before submitting the current claims

Committee Observation

839. The committee observed that contravened section Section 104(1) of the Public Finance Management (National Government) Regulations, 2015 provides that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt

and payment vouchers and shall be supported by the appropriate authority and documentation.

Committee recommendations

840. The committee recommends that the Accounting Officer should comply with Section 104(1) of the Public Finance Management (National Government) Regulations, 201 and the OAG to keep the matter in view.

7.5.3 Long Outstanding Receivables

841. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.297,525,000 as disclosed in Note 15 to the financial statements out of which a balance of Kshs.14,993,000 had been outstanding for a period of over one hundred and twenty (120) days. Further, the balance included outstanding balance of Kshs.2,513,000 which had remained un-accounted for or un-surrendered for more than ninety (90) days. This was contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which stipulates that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

842. In the circumstances, the accuracy, completeness and recoverability of the long outstanding fees arrears and imprests amounting to Kshs.17,506,000 could not be confirmed.

Management Response

843. We concur with your observations that during the year ended on 30th June 2023. The university was owed an amount of Kshs. 14,993,000 by the student debtors. The university has put in mechanisms to ensure all students clear their fees within the required timelines.

844. The outstanding surrendered imprests amounted to Kshs.2,513,000. It is important to note that most of the imprests stated above were issued for student related activities which take quite a long time before they are finished. The activities include teaching practice assessment and student attachment supervision. The imprests were issued towards the end of the year. However, the imprests have since been surrendered and fully accounted for.

845. The table below shows how much has been received from the student debtors and the status of unsurrendered imprests.

Opening Balance Kshs.	Total Received to date	Balance
14,993,000	14,993,000	nil
2,513,000	2,513,000	All imprests accounted for

Committee observation

846. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.4 Retention monies not deposited in the retention account

847. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,111,359,000 which, as disclosed in Note 20 to the financial statements, includes retention monies totaling Kshs.17,935,000 in respect of monies deducted from contractors but not deposited into a retention bank account. In addition, there was no indication that Management will be able to pay the retained amounts when they fall due.

848. In the circumstances, the existence of the retention monies totaling Kshs.17,935,000 as at 30 June, 2023 could not be confirmed.

Management Response

849. The management has already acted on the auditor’s recommendation and opened a retention account. All the necessary approvals were sought before the account was opened. Kindly see the approvals.

Committee observation

850. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.5 Long Outstanding payables

851. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,111,359,000 as disclosed in Note 20 to the financial statements. However, analysis of the payables’ supporting schedule revealed that creditors amounting to Kshs.26,275,000 had remained unsettled for a period of over 90 days. Delayed payments to contractors and suppliers adversely affect their businesses, while government is negatively impacted by low revenue due to delays in taxes submission. In

addition, suppliers may sue the University leading to legal fees, penalties and interests on late payments.

Management Response

852. The university concurs with the auditor’s observation that during the year under review, part of the outstanding payables includes trade creditors. The main reason for nonpayment of these trade creditors on time is due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time. Since the year ended the management has made a lot of progress in settling the pending bills. This has been made possible after the government released the funds under the new funding model.

The table below indicates the current status of the trade suppliers.

Opening Balance Kshs.	Total paid to date	Balance
26,275,000	26,275,000	nil

Committee observation

853. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.6 Non-remittance of University Staff Pay and Deductions

854. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,111,359,000 which, as disclosed in Note 20 to the financial statements, includes University staff pay and deductions amount of Kshs.669,899,000. However, review of the aging analysis of the balance revealed that the deductions had exceeded the statutory remittance period. Failure to remit the statutory deductions on time may result in the University incurring interests and penalties.

Management Response

855. The university concurs with your observation that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time. Since the year ended the

management has made a lot of progress in settling the unremitted deductions. This has been made possible after the government released the funds under the new funding model. In view of the circumstances the university has entered into several repayment plans with statutory bodies with regard to settlement of the outstanding dues.

The table below indicates the current status of staff pay deductions.

Item	Balance B/f Ksh	Paid	Balance
Gusii Sacco	21,393,423	21,393,423	nil
Egerton Sacco	22,464,786	22,464,786	nil
Mwalimu National	6,615,214	6,615,214	nil
PAYE	53,34,953	53,34,953	nil
Bank Loans	27,846,271	27,846,271	nil
KUASWA	1,790,000	1,790,000	nil
Egerton pension	589,789,306	79,899,222	509,890,084
Total	669,899,000	160,008,916	509,890,084

Committee observation

316. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.7 Under collection of tuition fees

317. The statement of financial performance reflects tuition fees balance of Kshs.984,488,000 as disclosed in Note 7 to the financial statements. However, the University collected Kshs.855,979,000 out of the invoiced amount of Kshs.984,488,000 representing 87% of the invoiced fees. It was therefore not clear why the Management failed to collect the fees balance of Kshs.128,509,000 even though there were strategies outlined to ensure 100% fee collection. The under collection of fees may have adversely affected the operations of the University.

Management Response

318. We concur with your observations that during the year ended on 30th June 2023. The university was not able to collect an amount of Kshs. 128,508,875 as budgeted for. The university has put in mechanisms to ensure all students clear their fees within the required timelines. However, it is important to note that most of the uncollected revenue involved students who deferred studies when the semester was already on. The management has

taken note of the auditors recommendations and will continuously monitor the situation and ensure all invoiced tuition fees is collected on time.

Committee observation

319. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.8 Outstanding Kenya Revenue Authority Debt

320. Records from the Kenya Revenue Authority indicate that the University owed the Authority Kshs. 585,885,000. However, Note 20 on payables from exchange transactions does not disclose the unpaid debt to KRA. No satisfactory explanation was provided on the debt exposure and Management plan to clear the debt could not be confirmed.

Management Response

321. The management submitted that this matter had already been dealt with between the university management and KRA. The university management had launched an objection to the assessment by KRA investigation department. The decision of the objection is attached for review.

Committee observation

322. The committee observed that management provided evidence of the revised tax assessment and subsequent payment, and the matter is thus adequately addressed.

7.5.9 Material Uncertainty in Relation to the Sustainability of Services

323. I draw attention to Note 5 (b) to the financial statements which indicates that the university incurred a deficit of Ksh.173,413,000 during the year under review resulting to accumulated deficit of Kshs.661,090,000 as at 30 June, 2023. In addition, the University's current liabilities totaling Kshs.1,136,787,000 exceeded the total current assets balance of Kshs.328,374,000, resulting to a negative working capital amounting to Kshs.808,413,000. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the University's ability to continue to sustain its services. Management indicated that the University's future depended on the continued financial support from the National Government and its creditors.

Management Response

324. We concur with your observation that during the year under review the University reported a deficit of Kshs.173,413,000. This trend has continued for the last five financial

years. The main reason for this worrying trend was the sudden drop in revenue raised internally A.I.A (Appropriation in Aid). The sudden drop of A.I.A was caused by huge decline in number of self-sponsored students who formed the main source of this revenue stream.

325. The other major cause of this worrying trend is the inadequate funding in form of monthly exchequer from the government. The funds released by the government on monthly basis are barely enough to meet the monthly payroll expenditure leave alone to cater for the other recurrent expenditure. This had been the trend for the last five financial years.

326. However, with the recent introduction of the new funding model the trend is likely to change as the university is now able to meet its short term obligations and has been able to reduce to a great extent the huge pending bills. The table below indicates the current position.

Accumulated Surplus/Deficit	
Financial Year	Kshs.
Bal. B/f 01/07/2008	
2008-2009	46,322
2009-2010	110,622
2010-2011	52,808
2011-2012	32,331
2012-2013	28,895
2013-2014	22,806
2014-2015	26,489
2015-2016	22,241
2016-2017	4,351
2016-2017	4,056
2018-2019	(19,602)
2019-2020	(508,827)
2020-2021	(279,943)

Accumulated Surplus/Deficit	
Financial Year	Kshs.
2021-2022	(30,226)
2022-2023	(173,413)
2023-2024	688,550
Balance as at 30/06/24	27,460

Committee observation

327. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.10 Noncompliance with the required reporting templates

328. The statement of cash flows was prepared using indirect method, contrary to the prescribed reporting format, which requires the statement to be prepared using direct method without adjustments. This was contrary to Section 81(3) of the Public Finance Management Act, 2012, which provides that the Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time:s

329. In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

Management Response

330. Management submitted that all the issues raised have been amended and financial statements do comply with the template. The management commits to continuously follow the guidelines and templates as issued from time to time by the necessary regulatory bodies.

Committee observation

331. The committee observed that management made adjustments to their financial statements in the subsequent financial years and the matter is therefore addressed.

7.5.11 Acting Appointments Beyond Six Months Period

332. Review of the personnel records revealed that ten (10) employees, including Management staff, were serving in acting positions and had been serving in the acting capacities for periods beyond the six months provided in the Human Resource Policies and Procedure Manual for Public Service.

333. In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual.

Management Response

334. The university management is well ceased of the matter and necessary remedial action was initiated. The university advertised for the senior positions in the month of February 2023 and redeployed the other affected officers, however the process stalled due to court litigation from the trade Unions. The court advised that the process be restarted. The management has undertaken to complete the process in the coming Financial Year. The process of filling senior management offices is being undertaken by the Public Service Commission which is the body mandated by law to fill the vacancies.

Committee observation

335. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.5.12 Noncompliance with Law on Ethnic Composition in Staffing

336. Review of the employees' records revealed that 66% of employees of the University were from one ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishment shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same community. In the circumstances, Management was in breach of the law.

Management Response

337. The university management has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management

commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce. The table below indicates the current distribution of the University work force.

c) Non-Teaching Staff

No	Tribe	Number	Percentage
1	KISII	217	72.3
2	LUO	25	8.3
3	KALENJIN	19	6.3
4	KIKUYU	12	4
5	LUHYA	12	4
6	KAMBA	5	1.6
7	MERU	4	1.3
8	POKOT	3	1.3
9	SAMBURU	1	0.3
10	KURIA	1	0.3
11	MAASAI	1	0.3
	Total	300	100

d) Teaching Staff

No	Tribe	Number	Percentage
1	KISII	174	55.8
2	LUO	38	12.2
3	KALENJIN	35	11.2
4	LUHYA	31	9.9
5	KIKUYU	15	4.9
6	KAMBA	10	3.2
7	POKOT	3	1.0
8	KURIA	2	0.6

9	MERU	1	0.3
10	EMBU	1	0.3
11	MARAKWET	1	0.3
12	TURKANA	1	0.3
	Total	312	100

Committee observation

338. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.5.13 Failure to Advertise for Employment Positions

339. During the year under review, the University recruited ten (10) lecturers and tutorial fellows without advertising for the positions, contrary to the provisions of Section 1.4 of the Kisii University Procedures for Headhunting of Staff, December, 2018 and of Part B.4 (1) of the Public Service Commission (PSC) Human Resource Policies and Procedures Manual, May, 2016. In the circumstances, Management was in breach of the law

Management Response

340. We concur with the observations that during the year ended 30th June 2023. The university employed the above named staff. As clearly noted in your report the university has in place a headhunting policy which provides for headhunting of staff in highly competitive areas. The university management has been applying the policy in areas like School of Law and Medicine which don't attract many applicants. Most of the experts in this area prefer to practice privately rather than being employed.

341. The staff in question were from medical and law background. However, the management has noted the concerns raised and will ensure that the headhunting policy is properly applied.

Committee observation

342. The Committee observed that Management recruited ten (10) lecturers and tutorial fellows without advertising the positions, in contravention of Section 1.4 of the Kisii University Procedures for Headhunting of Staff (December 2018), which requires that headhunting be undertaken only after an unsuccessful advertisement process.

343. The Committee further noted that this action breached Part B.4 (1) of the Public Service Commission Human Resource Policies and Procedures Manual (May 2016), which mandates that all vacant positions be widely advertised for a minimum period of twenty-one (21) days to ensure transparency, fairness, and competitiveness in recruitment.
344. The justification provided by Management on the application of the headhunting policy in specialized fields such as Law and Medicine was not adequately supported by evidence demonstrating prior unsuccessful advertisement of the positions.

Committee Recommendations

345. The Committee reprimands the accounting officer for the breach of the law and recommends that management should always adhere to the provisions of the Kisii University Procedures for Headhunting of Staff and the Public Service Commission Human Resource Policies and Procedures Manual by ensuring that all vacant positions are first advertised widely before resorting to headhunting.
346. The Committee further recommends that Management maintain proper documentation to demonstrate compliance with recruitment procedures, including evidence of advertisements and outcomes thereof, before invoking the headhunting policy.

7.5.14 Unutilized Drinking Water Plant and Bottling Plant

347. Review of records revealed that the University installed a drinking water and bottling plant at a cost of Kshs.23,892,000 during the year. However, physical verification of the project revealed that the plant had stopped operations and was lying idle, denying the Institution the much-needed revenue it was meant to generate. In the circumstances, the value for money of the expenditure of Kshs.23,892,000 incurred on the installation of the drinking water and bottling plant could not be confirmed.

Management Response

348. The Management would like to concur with your observation that during the time of audit the water plant was not in operation. This was caused by lack of critical spare part which could only be found outside the country. The same has been sourced and the water plant is now in operation.

Committee observation

349. The committee observed that the water plant is currently operational and in use and therefore the matter is resolved.

7.5.15 1.0 Lack of Business Continuity and Disaster Recovery Plan

350. During the year under review the university did not have in place an information system disaster recovery plan and a business continuity plan. Therefore, there was no documented process to guide mitigation against any event affecting the information system, information recovery and business continuity. In the circumstances the security of the university information system could not be guaranteed.

Management Response

351. Management submitted that there is currently an offsite backup storage with KENET that periodically mirrors a full backup of the ERP system database. Together with this, the University has in place an Information Security Management System (ISMS ISO 27001) team that has undertaken documentation of an Information Security Policy which is currently in draft format pending management review and approval. The draft policy highlights the area of business continuity and once approved will guide development of a business continuity and disaster recovery plan. Kindly find attached the draft policy

Committee observation

352. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.6 Audited statements for Financial Year 2023/2024 (Qualified Opinion)

7.6.1 Unsupported Bank Overdraft Reconciliation

353. The statement of financial position reflects trade and other payables from exchange transactions balance of Ksh. 940,954,000 which as disclosed in note 20 to the financial statements includes overdraft of Ksh. 44,058,000 from the KCB operations account. However, the bank certificate provided reflects an overdraft balance of Ksh. 41,335,000 resulting in reconciling amounts of Ksh. 2,723,000. No evidence has been provided on how the reconciling balance of Ksh.2,723,000 subsequently cleared. In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions balance of Ksh 940,954,000 could not be confirmed.

Management Response.

354. Management submitted that during the year under review the University statement of financial position reflected trade and other payables from exchange transactions balance of Ksh.940,954,000 as disclosed in note 20 of the financial statements. The reconciling

balance of Ksh.2,723,000 cleared in the records of the university as shown in the attached cash book extract. Kindly find attached the cash book extract, bank certificate and bank reconciliation in support of the same.

Committee observations

355. The committee observed that management provided a reconciliation explaining the variance of Kshs.2,723,000 and the matter is therefore adequately addressed.

7.6.2 Budgetary control and Performance

356. The statement of comparison of budget and actual amounts reflects total budgeted income and actual receipts on comparable basis of Ksh. 3,404,948,000 and Ksh.3,167,440,000 respectively resulting in underfunding of Ksh.237,508,000 or 7% of the budget. In addition, the university incurred capital expenditure of Ksh. 17,332,000 against a budget of Ksh. 139,330,000 resulting in underutilization of Ksh. 121,998,000 or 88% of the capital expenditure budget. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response.

357. Management submitted that during the year ended on 30th June 2024. The university was not able to collect all the funds as budgeted for. The university has put in mechanisms to ensure all students clear their fees within the required timelines. However, it is important to note that most of the uncollected revenue involved students who deferred studies when the semester was already on. With the introduction of the new funding model within the year under review the management has also noted that most of the students are not paying the house hold component of the fees. This is because of the various government pronouncements on the new funding model including the intervention by the courts. The management has taken note of the audit recommendations and is continuously monitoring the situation and ensure all invoiced tuition fees is collected on time. With regard to capital development funding the management wrote to the State department requesting for release of all budgeted funds however the same was not released in full. Kindly find attached the approved capital development budget for the year under review and the request for release of the same submitted to the state department.

Committee observation

358. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.6.3 Payment of Acting Allowance

359. Note 9 to the financial statements of fin disclose employee costs of Ksh. 1,493,960,000 which includes Ksh. 2,623,885 in respect to acting allowances paid to the ten officers who have been in acting capacity in various positions for more than 6 months contrary to section C.14 (1) of the human resource policies and procedures manual for the public service ,2016, which states that acting allowances will not be payable to an officer for more than 6 months. In circumstances, Management was in breach of law.

Management Response

360. Management submitted that it is well ceased of the matter and necessary remedial action was initiated. The university advertised for the senior positions in the month of February 2023 and redeployed the other affected officers, however the process stalled due to court litigation from the trade Unions. The court advised that the process be restarted. The management has undertaken to complete the process in the coming Financial Year. The process of filling senior management offices is being undertaken by public service commission which is the body mandated by law to fill the vacancies. Kindly find attached the court ruling and table indicating the current status of all the affected officers.

Committee observation

361. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.6.4 Noncompliance with the One-Third Basic Salary Rule

362. Analysis of the payroll for the month of December 2023, January 2024 and June 2024 revealed that a total of eighteen (18) members of staff earned monthly net salaries that were less than a third of their respective basic salaries. This was contrary to section19(3) of the employment Act, 2007, which states that the total amount of deductions from the wages of an employee shall not exceed two thirds (2/3) of such wages. In circumstances, Management was in breach of law.

Management Response

363. Management submitted that it is already ceased of the matter and has taken action to ensure full compliance. Management through the office of Vice Chancellor has been

issuing regular circulars to all employees to regularize their pay by adhering to the requirement. Most of the University staff have been sighting the introduction of new levies which were recently introduced, as having contributed to this non-compliance.

Committee observation

364. The committee observed that the issue was brought about by the introduction of the new statutory levies.

Committee Recommendation

365. The committee recommends that Management must always comply with Section 19(3) of the Employment Act, 2007, which states that the total amount of deductions from the wages of an employee shall not exceed two thirds (2/3) of such wages.

7.6.5 Non- Compliance with Law on Staff Regional Diversity

366. Examination of the university payroll revealed 65% of members of total staff in post of six hundred 619 were from one dominant ethnic community contrary to section 7(1) (2) of the national cohesion and integration act (2008) revised 2012 which provides that no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of law.

Management Response

367. Management submitted that it has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce. The table below indicates the current distribution of the University work force.

e) Non-Teaching Staff

No	Tribe	Number	Percentage
1	KISII	217	72.3
2	LUO	25	8.3

3	KALENJIN	19	6.3
4	KIKUYU	12	4
5	LUHYA	12	4
6	KAMBA	5	1.6
7	MERU	4	1.3
8	POKOT	3	1.3
9	SAMBURU	1	0.3
10	KURIA	1	0.3
11	MAASAI	1	0.3
	Total	300	100

f) Teaching Staff

No	Tribe	Number	Percentage
1	KISII	174	55.8
2	LUO	38	12.2
3	KALENJIN	35	11.2
4	LUHYA	31	9.9
5	KIKUYU	15	4.9
6	KAMBA	10	3.2
7	POKOT	3	1.0
8	KURIA	2	0.6
9	MERU	1	0.3
10	EMBU	1	0.3
11	MARAKWET	1	0.3
12	TURKANA	1	0.3
	Total	312	100

Committee Observation

368. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.6.6 Non-Remittance of University Staff Salary Deductions

369. The statement of financial position reflects trade and other payables from exchange transactions balance of Ksh. 940,954,000 which as disclosed in note 20(A) to the financial statements includes, Ksh. 595,280,000 in respect to university staff salary deductions. However, as previously reported this latter balance includes Ksh. 561,402,629 relating to employee benefits that have been outstanding since January 2019. This was contrary to section 53(A) (1) of the retirement benefits Act 1997 which states that an employer, having with the agreement of an employee who is a member of a scheme made a deduction from the employee emoluments for remittance to the scheme, fails to remit the deduction within five teen days of the deduction the scheme may after giving such employer not less than seven days' notice institute proceedings for the recovery of the deduction. Failure to remit the statutory deduction on time may result in the university incurring interest and penalties. In the circumstances, Management was in breach of law.

Management Response

370. Management submitted that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time. Since the year ended the management has made a lot of progress in settling the unremitted deductions. This has been made possible after the government released the funds under the new funding model. In view of the circumstances the university has entered into several repayment plans with statutory bodies with regard to settlement of the outstanding dues.

The table below indicates the current status of the salary deductions

Item	Balance B/f Ksh	Paid	Balance
Gusii Sacco	10,751,140.00	10,751,140.00	Cleared
Egerton Sacco	17,280,028.08	17,280,028.08	Cleared
Mwalimu National	4,786,589.00	4,786,589.00	Cleared
KUASWA	1,059,613.00	1,059,613.00	Cleared
Egerton Pension Scheme	561,402,629.92	51,512,545.83	509,890,084.09

	595,280,000.00	85,389,915.91	509,890,084.09
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Committee observation

371. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.6.7 Student invoice adjustment

372. The statement of financial performance reflects tuition fees amount of Ksh. 2,145,202,000 as disclosed in note 7 to the financial statements. Review of internal audit report during the year carried out on invoice ledgers and student account system generated fee statements revealed unexplained invoice reversal, system invoice adjustments and non-adherence to fee payment policies set out.

373. Management and the weak internal controls including system overrides led to student attending lecture classes sitting for exams, graduating and collecting their certificates with outstanding fee balances. Based on the internal audit findings the audit committee made several recommendations aimed at addressing the identified weaknesses and improving internal controls. However, the management did not provide evidence of action and progress made to address the audit committee recommendations. In the circumstances the effectiveness of internal controls over the collection and management fee arrears could not be confirmed.

Management Response

374. Management submitted that it had addressed most of the issues raised by the internal audit report with regard to management of student fees.

- i. The management has put in measures to ensure that all students who graduated with fee balance do not pick certificates if they have not paid all the pending fees. This is done by filling a prescribed form which must be approved by officer in charge of student finance.
- ii. With regard to outstanding fees the management has put measures to ensure the same is paid. However, the management is facing challenges due to various government pronouncements which tends to allow students to attend classes and even do exams without paying fees.

- iii. With regard to recovery of funds from officers who cleared students with fee balances, the same has been recovered..

Committee Observation

375. The committee observed that the management has provided evidence on surcharging and Pay Change Advice for salary deductions and the matter is therefore resolved.

7.7 Audited statements for Financial Year 2024/2025 (Qualified Opinion)

7.7.1 Non-Compliance with PSASB Reporting Framework

376. The statement of cash flows has been prepared under the indirect method contrary to the prescribed direct method in the reporting framework of the public entities. Further, the statement of changes in net assets covers four (4) financial years, contrary to the prescribed reporting template which requires the statement to reflect balances for two (2) financial years-previous year (2023/2024) and current year (2024/2025). In addition, Note 17 to the financial statements on property, plant and equipment has not been prepared in the format provided in the IPSAS Reporting Template for State Corporations and Semi-autonomous Government Agencies (SAGAS).

377. In the circumstances, the financial statements as prepared and presented do not comply with the reporting framework prescribed by the Public Sector Accounting Standards Board.

Management Response

378. We concur with the observation raised with regard to the presentation format. All the issues raised have been noted for implementation especially with regard to presentation of cash flow statement and statement of changes in net assets. The management commits to continuously follow the guidelines and templates as revised from time to time by the necessary regulatory bodies.

Committee observation

379. The committee observed that management did not comply with the prescribed reporting framework.

Committee Recommendations

380. The committee reprimands the Finance officer and recommends that the necessary corrections and adjustments be made in the subsequent financial year.

381. The Accounting officer should always ensure compliance with Section 81(3) of the Public Finance Management Act, 2012, which states that the accounting officer shall

prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

7.7.2 Unsupported and Long outstanding receivables from Exchange Transactions.

382. The statement of financial position, and as disclosed in Note 15 to the financial statements, reflects receivables from exchange transactions balance of Kshs.1,824,839,000 which comprises imprest outstanding, fees balances and fuel deposit balances of Kshs.8,542,000, Kshs.1,907,341,000 and Kshs.5,000,000 respectively, less provision balance of Kshs.96,044,000. However, a detailed ageing analysis in support of the fees balances of Kshs.1,907,341,000 which was between 1 and two years and policy for the provision for bad and doubtful debt to support the provision balance were not provided for audit review. As a result, the adequacy of the provisions made could not be confirmed.
383. Management did not also provide evidence of efforts being made to recover the long outstanding receivables.

Management Response

384. Management submitted that during the year ended 30th June 2025. The university was owed an amount of Kshs.1,907,341,000 by the student debtors. This amount is a result of delayed disbursements of student scholarship and HELB funds under the new funding model. In addition to this, the management is facing challenges when it comes to collecting fees from students due to various government pronouncements which tend to allow students to attend classes and even do exams without paying the household fees. With regard to provision the management has indicated in the notes to financial statements that a 5% provision is provided for doubtful debts. That is indicated in page 12 of the financial statements.
385. The table below shows the disbursements received within the year to support the students.

Item	Opening Balance Kshs.	Total disbursements received to date. Kshs.
Fee balances	1,907,341,000	992,910,976.50

Committee Observation

386. The committee observed that a detailed ageing analysis of Kshs.1,907,341,000 provided and it shows the balances have been outstanding for 9.5 months. The finance policy, which includes a policy on provisions for bad and doubtful debts, was also provided.
387. Management further provided evidence showing that out of the Kshs.1,907,341,000, the University has received Kshs.992,910,976.50, leaving a balance of Kshs.914,430,023.50.

Committee Recommendations

388. The committee recommends that the Accounting officer should ensure compliance with Section 21(1) of the Public Audit Act, 2015 states that for the purposes of exercising or performing his or her functions, duties or powers under the Constitution or this Act, and subject to the law relating to data protection, the Auditor-General shall require a public body or any person employed by the public body — (a) to produce any official document in the body's or person's custody, care or control; and (b) to provide the Auditor-General with information or an explanation about any official information, system or asset.

7.7.3 Property Plant and Equipment Balances.

389. The statement of financial performance, and as disclosed in Note 17 to the financial statements, reflects property, plant and equipment balance of Kshs.3,492,511,000. The balance includes Work-In-Progress (W.I.P.) balance of Kshs.2,889,852,000. However, the supporting ledger, detailed project implementation reports and payment vouchers / certificates for the payments made during the year were provided for audit. Further, the WIP balance includes three (3) building blocks which had been substantially completed already put in use at the time of audit in September, 2025 without proper hand over or completion certificates.
390. Note 17 also reflects additions to W.I.P. of Kshs.17,932,000 whose supporting procurement documents such as bids, tender opening minutes, tender evaluation minutes, professional opinion, award and regret letters, letter of acceptance and signed contract agreement were not provided for audit. The Note also reflects acquisition after 31/12/2024 balance of Kshs.71,585,000 whose supporting ledger schedules were not provided for audit.
391. In the circumstances, the accuracy and completeness of the property plant and equipment balance of Kshs.3,492,511,000 could not be confirmed.

Management Response

392. Management submitted that during the year ended 30th June 2025, the Work in progress with regard to the ongoing works included a balance of Ksh. 2,889.852,000. The 3 building blocks are part of the ICT Centre which are substantially complete with only external works remaining during the time of audit. The works are ongoing and will be completed within the Current Financial Year. The Certificate of practical completion has been provided for review.
393. The supporting procurement documents for the work in progress additions of Ksh.17,932,000 during the financial year under consideration have been provided for review.
394. The supporting ledgers for Ksh.71,585,000 which represents assets acquired after 31/12/2024 have been provided for review. The schedule is a result of the depreciation policy which provides that assets acquired within the last six months of the financial year are not depreciated.

Committee Observation

395. The committee observed that the Work In Progress ledger, the completion certificate for the 3 block, the procurement documents to support additions of Kshs. 17,932,000, and a ledger schedule for Kshs.71,585,000 were provided and therefore the matter is resolved.

7.7.4 Unsupported Trade and other payables from Exchange Transactions.

396. The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects trade and other payables from exchange transactions balance of Kshs.1,278,469,000. The balance includes University staff pay and deduction (pension) balance of Kshs.572,805,000, University staff pay and deductions—other balance of Kshs.70,412,000, KUSU Case on Redundancy balance of Kshs.211,158,000 and prepaid tuition fees balance of Kshs.97,217,000. However, the balances were not supported by the individual detailed ageing analyses and other requisite documentations.
397. In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs. 1,278,469,000 could not be confirmed.

Management Response

398. Management submitted that during the year ended 30th June 2025, the statement of financial position reflects trade and other payables from exchange transactions balance of

Ksh. 1,278,469,000. The supporting schedules indicating individual balances, the payroll schedules and the court documents for KUSU case have been provided for review.

Committee Observation

399. The committee observed that the supporting ageing analysis of Kshs.572,805,000 shows that Kshs.509,890,084 long outstanding, relates to the period May 2019 to December 2022. The Ageing analyses and other supporting documents for the other balances were also provided and the matter is therefore resolved.

7.7.5 Budgetary control and performance

400. The statement of comparison of budget and actual amounts reflects capital expenditure budget and actual on comparable basis of Kshs.215,000,000 and Kshs.145,286,000 resulting in an under-expenditure of Kshs.69,714,000 or 32% of the budget.

401. The under-expenditure on capital expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response.

402. Management submitted that during the year ended on 30th June 2025 the statement of capital expenditure budget reflects an under expenditure of Ksh.69,714,000. With regard to this planned capital expenditure the university was supposed to raise the funds internally for the same. However, the university was not able realize the funds as budgeted. As noted elsewhere in this report this is attributed to the outstanding receivables from both the scholarship and HELB funding.

Committee observations

403. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

7.7.6 Unresolved prior year matters

404. In the prior year audit report, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources, respectively. Review of the status during audit of the University in 2024/2025 revealed that the following matters remained unresolved as at 30 June, 2024.

S.No	Audit issue
1	Budgetary control and performance

2	Payment of acting allowance
3	Noncompliance with one of third basic salary rule
4	Noncompliance with law on staff regional diversity
5	Non-Remittance of University staff salary deductions
6	Student invoice adjustment

Management Response.

405. Management submitted that they had addressed most of the prior year issues as evidenced in the current year audited financial statements and is committed to continuously address any issues that remain unresolved.

Committee observation

406. The committee observed that the prior year audit matters had been discussed by the committee in the previous year's financial audits and the committee made its recommendations.

7.7.7 Regularity of Human Resource Management Practices

7.7.7.1 Staff on Acting Capacity Beyond the Stipulated Period

407. During the year under review ten (10) members of staff served in acting capacities for periods exceeding six (6) months, contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which provides that when an Officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance and the allowance will not be payable to an officer for more than six (6) months.

408. Further, up-to-date appointment /extension letters or cessation memos were not provided for audit verification.

Management Response

409. Management submitted that it was well ceased of the matter and necessary remedial action was initiated. The university advertised for the senior positions in the month of February 2023 and redeployed the other affected officers, however the process stalled due to court litigation from the trade Unions. The court advised that the process be restarted. The management has undertaken to complete the process in the coming Financial Year. The

process of filling senior management offices is being undertaken by the Public Service Commission which is the body mandated by law to fill the vacancies and to this end the substantive DVC AP&F has since been appointed.

Committee Observation

410. The committee observed that the current status provided shows that 3 of the 10 employees are still acting. The remaining 7 have either been redeployed or substantively appointed.

Committee Recommendations

411. The Committee recommends that the Accounting Officer ensures the institution attains compliance within three (3) months and, going forward, strictly adheres to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016. The provision stipulates that an officer appointed to act in a higher position pending advertisement of the post is eligible for an acting allowance; however, such allowance should not be paid for a period exceeding six (6) months.

7.7.8 Non-compliance with Law on Regional Diversity on Staff Employment.

412. Review of the University's payroll revealed that 65% members of total staff in post of six hundred and nineteen (619) were from one dominant ethnic community, contrary to Section 7 (1) (2) of the National Cohesion and Integration Act, 2008 (Revised 2012) which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Management Response

414. Management submitted that it has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected

in its workforce. The table below indicates the current distribution of the University work force.

g) Non-Teaching Staff

No	Tribe	Number	Percentage
1	KISII	217	72.3
2	LUO	25	8.3
3	KALENJIN	19	6.3
4	KIKUYU	12	4
5	LUHYA	12	4
6	KAMBA	5	1.6
7	MERU	4	1.3
8	POKOT	3	1.3
9	SAMBURU	1	0.3
10	KURIA	1	0.3
11	MAASAI	1	0.3
	Total	300	100

h) Teaching Staff

No	Tribe	Number	Percentage
1	KISII	174	55.8
2	LUO	38	12.2
3	KALENJIN	35	11.2
4	LUHYA	31	9.9
5	KIKUYU	15	4.9
6	KAMBA	10	3.2
7	POKOT	3	1.0
8	KURIA	2	0.6
9	MERU	1	0.3
10	EMBU	1	0.3
11	MARAKWET	1	0.3

12	TURKANA	1	0.3
	Total	312	100

Committee observations

415. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

7.7.9 Irregular Fee Waivers

416. Review of University records revealed fees waivers amounting to Kshs. 6,081,979. Review of education committee minutes indicate that fee waivers for several employees, their spouses and dependents were waived. However, personal files of affected employees did not have records of their spouses or dependents and as a result, it was not possible to establish if the beneficiaries were bona fide. Further, the fee waivers granted exceeded the authorized amounts. Additionally, some of the beneficiaries of the fee waivers were not in the list authorized by the committee. This was contrary to the University’s Staff Training Policy, 2015, which states that the university shall grant fee waiver to members of staff-on-staff development programmes undertaking post graduate training at the university and the fee waived shall apply to tuition only.

417. In the circumstances, Management was in breach of the University policy.

Management Response

418. Management submitted that:

(i) Personal files that did not have records of their spouses or dependents.

419. The staff committee besides relying on the information provided in the file requires that every application for a dependent must be made alongside the birth certificate of the beneficiary. On the part of spouse, the university requires a marriage certificate or a sworn affidavit. The personal files for staff which did not include all beneficiary details have since been updated.

(ii) Fee waivers paid out were over and above authorized amounts.

420. The Staff Training policy stipulates that a spouse or dependent is entitled to waiver of 50% of the tuition fees. In the files that were perused, the beneficiaries were students admitted in 2023/2024 and 2024/2025 academic year where the New Funding Model was in place. The fees was consolidated and the waiver was done at 50% of the consolidated fee. (There were no guidelines from Government until August 2025). Using serial No. 1 as

an example, Y1S1 fee = 169,880/- 50% will be 89,940/- and Y1S2 fee was 113,254/- 50% of it is 56,627/-. The waived amount will be 89,940 + 56,627 = 141,567/-. As for the CBM14/00003/24, she is a female employee entitled to 75% of the tuition fees waiver. Therefore, she didn't benefit as a spouse as indicated. In view of the above the waived amounts were justified. After the government guidelines on banding and household component fees, waiver will only be given on the household component that is to be paid by the student.

421. The Almanac allows for one Staff Training Committee meeting per quarter. The committee has since sat and confirmed the minutes that awarded the waiver.

Committee Observation

422. The committee observed that the records of spouses and dependents were provided. The management also provided evidence of the minutes of the committee meeting, and the matter is therefore resolved.

7.7.10 Failure to remit Staff Statutory Deductions

423. Note 20(B) to the financial statements discloses outstanding payables balances of Kshs.834,619,000 that had been outstanding for more than two (2) years which included University staff pay and deductions balance of Kshs.572,805,000 which had been outstanding since January, 2019. This was contrary to Section 53A (1) of the Retirement Benefits Act,1997, which states that where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction'.

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

Management Response

425. Management submitted that during the year under review, part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time. Since the year ended the management has made a lot of progress in settling the unremitted deductions. This has been made possible after the

government released the funds under the new funding model. In view of the circumstances the university has entered into several repayment plans with statutory bodies with regard to settlement of the outstanding dues.

Committee Observation

426. The committee observed that the management did not provide evidence to indicate that any of the Kshs.572,805,000 has since been settled.

Committee Recommendations

427. The Committee recommends that the Accounting Officer ensures compliance with the Retirement Benefits Act, 1997 by prioritizing the immediate remittance of all outstanding statutory deductions. Management should implement a structured and time-bound repayment plan with relevant statutory bodies and put in place effective internal controls to ensure that all future deductions are remitted within the stipulated timelines.

7.7.11 Student Invoice Adjustment

428. As reported in the previous year the statement of financial performance for that year reflected tuition fees amount of Ksh.2,145,201,000 as disclosed in note 7 to the financial statements. Review of an internal audit report during the year carried out on invoice ledgers and student account system generated fee statement revealed unexplained invoice reversals, system invoice adjustments and non-adherence to fee payment policies set out by the Management and that the weak internal controls and system override led to student attending lecture classes, sitting for exams, graduating and collecting their certificates with outstanding fee balances. However, Management did not provide evidence of action and progress made to address the Audit Committee's recommendations.
429. In the circumstances, the effectiveness of internal controls over the collection and management fees arrears could not be confirmed.

Management Response

430. Management submitted that it has addressed most of the issues raised by the internal audit report with regard to management of student fees.
- i. The management has put in measures to ensure that all students who graduated with fee balance do not pick certificates if they have not paid all the pending fees. This is done

by filling a prescribed form which must be approved by officer in charge of student finance.

- ii. With regard to outstanding fees the management has put measures to ensure the same is paid. However, the management is facing challenges due to various government pronouncements which tends to allow students to attend classes and even do exams without paying fees.
- iii. With regard to recovery of funds from officers who cleared students with fee balances the same has been recovered through administrative action. and notices authorizing the same.

Committee Observation

- 431. The committee observed that management had provided the evidence of recovery of funds from officers who cleared students with fee balances and the matter is therefore resolved

7.7.12 Weak controls over motor vehicle fueling

- 432. Note 12 to the financial: statements, discloses fuel and oil expenditure of Kshs.22,938,000. However, review of internal audit reports revealed unaccounted for fuel and lubricants, fueling at physical locations other than those of the motor vehicle being fueled, fueling without approval and missing work tickets. The audit committee made several recommendations aimed at addressing the identified weaknesses and improving internal controls. However, Management did not provide evidence of action and progress made to address the Audit Committee's recommendations.
- 433. In the circumstances, the effectiveness of internal controls over motor vehicle fueling could not be confirmed.

Management Response

- 434. Management submitted that during the year under review the University financial statement disclosed an amount of Ksh. 22,938,000 for fuel and expenditure. The recommendations made by the audit committee with regard to the weaknesses identified have been addressed by the necessary department.

Committee Observation

435. The committee observed that evidence has been provided showing that the issues raised by Internal Audit have since been addressed and the matter is therefore resolved.

7.7.13 Overpayment of Motor Vehicle

436. The University entered into a contract with a company to the supply of a vehicle at a cost of Kshs.13,649,400. However, the contractor was overpaid of Kshs.136,494. Management has not taken action to recover the overpayment or apply the amount for the provisions of other services.

437. In the circumstances, the effectiveness of internal controls over payment of vendors could not be confirmed.

Management Response

438. Management submitted that it had taken note of the recommendations of the Auditor General and recovered the overpaid amount of Ksh.136,494 from CFAO mobility subsequent invoices Kindly see the payment voucher for recovery.

Committee Observation

439. The committee observed that evidence of recovery of the overpaid amount was provided, and the matter is therefore resolved.

8.0 TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LIMITED (TUMEL)

440. Mr. Benard Nyakundi, Managing Director, accompanied by: -

- i) Mr. Leonard Korir-Former Finance Officer
- ii) Ms. Fatuma Khamis - Human Resource Officer

Appeared before the Committee to adduce evidence on the audited accounts of TUMEL, on 10th February 2026.

8.1 Audited Statements for Financial Year 2021/22 (Qualified Opinion)

8.1.1 Unconfirmed Banking and Duplicated Receipts

441. The statement of profit and loss and other comprehensive income and Note 3 to the financial statements reflect revenue amount of Kshs. 68,054,295 which includes Technical University of Mombasa (TUM) hotel and conferencing revenue of Kshs. 29,981,319, out of which Kshs. 6,338,450 were cash receipts. Although, the ledger balance in support of the cash balance for the period between 1 to 31 October 2021

reflected a total of Kshs. 266,127, audit analysis of the cash collections for the same period reflected total cash collections of Kshs. 99,129. No explanation was provided for the variance of Kshs. 166,998 between the collections and amount recorded in the ledger.

442. Review of the ledger in support of the hotel and conferencing revenue revealed that receipts totalling Kshs. 77,380 were duplicated. No explanation was provided for this anomaly.
443. In addition, bank deposit slips provided for audit review were not matched with the approved daily cash and cheque receipt register, and Management had not maintained a counter receipt book register for issuance and receipt of receipt books thus making it impossible to confirm their accountability.
444. In the circumstances, the accuracy and completeness of the hotel and conferencing revenue of Kshs. 29,981,319 for the year ended 30 June, 2022 could not be confirmed.

Management Response

445. Management submitted that the amount reflected relates to collections for one month only, and all collections are recorded in the cash book and reconciled with bank statements at month-end, with any variances arising from timing differences, as supported by the attached reconciliations.
446. The duplicated entries identified were corrected and the revenue was adjusted accordingly, as reflected in the amended financial statements submitted.
447. Management confirms that a receipt books register is in place and that the source documents did not contain duplicate receipts, as the duplication arose solely at the data entry stage.
448. To prevent recurrence, Management has implemented an ERP system that captures revenue in real time and is configured to restrict duplicate receipt or reference numbers, thereby eliminating the risk of duplicate postings.

Committee Observations

449. The Committee observed the following:
- (i) Transactions are recorded when they are received and paid;
 - (ii) No evidence of receipts issued provided to correlate the transaction from 1 to 31 October 2021; and
 - (iii) Evidence of duplicate receipts not provided

Committee Recommendations

450. The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor receipts issued from 1 October to 31 October 2021 and should provide evidence of duplicate receipts for verification. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.1.2 Undisclosed Consultancy Facilitation Expense

451. The statement of profit and loss and other comprehensive income and Note 4 to the financial statements for the year ended 30 June, 2022 reflect cost of sales amounting to Kshs. 33,874,952 which include consultancy facilitation expense of Kshs. 15,151,691. However, payments totalling Kshs. 6,785,126 were not included in the ledger in support of the expenses.

452. In the circumstances, the accuracy and completeness of the consultancy facilitation expense of Kshs. 15,151,691 for the year ended 30 June, 2022 could not be confirmed.

Management Response

453. Management submitted that the consultancy facilitation expense of Kshs. 6,785,126 includes the experts' honoraria of Kshs. 4,217,966 relating to the TVET Tracer Study provided for in FY2020/2021, when the related revenue was earned, and the indirect consultancy costs of Kshs 1,428,236 that was expensed in the current FY2021/2022.

454. The total consultancy payments of Kshs. 6,785,126 is supported in the ledgers and annexed schedules. Management confirms that all costs were supported and recognized in the respective accounting periods.

Committee Observations

455. The Committee observed that no details were provided as to how the expense of Kshs. 6,785,126 was included in the financial statement.

Committee Recommendations

456. The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor evidence of how the Kshs.6,785,126 was recorded in the financial statement for verification. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.1.3 Trade and Other Receivable Balances

457. ***Unexplained Variances in Related Party Transactions:*** The statement of financial position as at 30 June, 2022 and Note 13 to the financial statements reflect a balance of Kshs. 34,726,670 in relation to trade and other receivables which includes an amount of Kshs. 17,694,999 as receivables from Technical University of Mombasa (TUM) comprising of school based students, hotel services, cleaning services and water sales (TUM-AQUA) of Kshs. 470,250, Kshs. 8,397,999, Kshs. 8,484,000 and Kshs. 342,750 respectively. However, the audited financial statements for TUM as at 30 June, 2022 indicate a balance payable to the Company of Kshs. 4,662,457, resulting to an unexplained variance of Kshs. 13,032,542.
458. ***Unsupported Trade and Other Receivables:*** The statement of financial position as at 30 June, 2022 and Note 13 to the financial statements reflect trade and other receivables net balance of Kshs. 34,726,670 after provision for bad and doubtful receivables of Kshs. 6,004,780. However, the supporting schedules for receivables amounting to Kshs. 19,810,759 and details or breakdown of how the provision for bad and doubtful receivables of Kshs. 6,004,780 was determined were not provided for audit review. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs. 34,726,669 could not be confirmed.

Management Response

459. Management submitted that the amount of Kshs. 17,694,999 as reflected as receivable from TUM is the correct amount, evidenced by a reconciliation done and concluded on 23rd September 2024 between TUM and TUMEL.
460. The supporting schedules for receivables amounting to Kshs.19,810,759 has been attached. Further, the provision for bad and doubtful receivables amounting to Kshs. 6,004,780 was determined in accordance with TUMEL's approved provision policy and an aged bills receivable analysis as at 30 June 2022. Receivables were classified by ageing and provided for as follows:
- i. 240–360 days: provided at 5% (general provision)
 - ii. 360–720 days: provided at 50% (specific provision)
 - iii. Over 720 days: provided at 100% (specific provision)
461. The detailed ageing schedule supports the resulting provision and is consistent with accrual-based accounting and credit risk management practices.

Committee Observation

462. The Committee observed that the financial statement was not provided to show the reconciled amounts and management has not demonstrated how the error was corrected.

Committee Recommendations

463. The Committee recommends that within one (1) month of adoption of this report by the House, Management ensures that the reconciled amounts for unexplained variances in Related Party Transactions are reflected in the FSs.

464. Further, the Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor supporting schedules for receivables amounting to Kshs. 19,810,759 and how the calculation of provision for bad and doubtful receivables amounting to Kshs. 6,004,780 was arrived at for verification.

8.1.4 Unexplained Variances and Unsupported Bank and Cash Balances

465. The statement of financial position and Note 11 to the financial statements reflect bank and cash balances of Kshs. 1,024,456 which include an amount of Kshs. 834,919 held in a local bank. However, the cashbook provided for audit review indicated a balance of Kshs. 854,739 thereby resulting to a variance of Kshs. 19,820. Further, the bank reconciliation statement as at 30 June, 2022 reflected a cashbook balance of Kshs. 873,625 resulting to a variance of Kshs. 38,706 as compared to the financial statements balance. No explanation or reconciliation was provided for the variances between the three sets of records that should normally be the same.

466. Further, the bank confirmation certificate in support of the bank balance of Kshs. 834,919, the Board of Survey certificate in support of the cash balance of Kshs. 21,850 and bank reconciliation statements, cashbook and bank confirmation certificate for the bank balance of Kshs. 167,687 were not provided for audit review.

467. In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs. 1,024,456 could not be confirmed.

Management Response

468. Management submitted that the total cashbook balance as at 30 June 2022 as reported in the Financial Statements was Kshs. 1,024,456, comprising NBK Kshs. 834,919, KCB Kshs. 167,687, and Petty Cash Kshs. 21,850, which agrees with the amount reported in the financial statements.

469. The variances arose from normal reconciling items, primarily uncleared cheque payments amounting to Kshs. 860,437.23 on the National Bank of Kenya account. After accounting for these reconciling items, the NBK bank statement balance stood at Kshs. 1,695,356.23, reconciling to the cashbook balance.

Committee Observations

470. The Committee observed that the above-mentioned supporting documentation has not been provided to the Auditor for verification despite Management's assertion that it had been provided.

Committee Recommendations

471. *The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor supporting documentation , the Bank reconciliation statements, Cashbook ledgers, Board of Survey certificate for petty cash (Kshs. 21,850), and Bank confirmation certificates for **NBK** and **KCB**) for verification. The OAG to report on this in the next audit cycle for FY 2025/26.*

8.1.5 Unsupported Inventory Balance

472. The statement of financial position and Note 12 to the financial statements indicates an inventory balance of Kshs. 3,287,441. However, the stock count sheets as at 30 June, 2022 in support of the balance were not provided for audit review.

473. In the circumstances, the accuracy and completeness of the inventory balance of Kshs. 3,287,441 as at 30 June, 2022 could not be confirmed.

Management Response

474. A formal year-end stocktake was conducted in preparation for the FY 2021/2022 financial statements. The stocktake exercise was officially initiated and communicated through written invitations issued on 27 June 2022 to the following officers and functions:

- i. Finance Officer and Finance Assistant
- ii. Procurement Officer and Procurement Assistant
- iii. Water Plant Supervisor
- iv. Cleaning Supervisors
- v. Chef
- vi. Acting Hotel Manager

- vii. Internal Audit, Risk and Compliance
 - viii. Office of the Auditor-General (Coast Region), invited to attend and oversee the exercise
475. The invitations clearly specified the date, time, scope (main, departmental and sectional stores), and purpose of the stocktake, and requested participation to ensure accuracy and credibility of inventory balances. Stock count sheets were prepared during the exercise and consolidated into stocktake reports supporting the inventory balance of Kshs. 3,287,441 as at 30 June 2022.

Committee Observations

476. The committee observed that management provided the stock count sheets and the matter is therefore resolved.

8.1.6 Budgetary Control and Performance

477. The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts on comparable basis of Kshs. 99,000,000 and Kshs. 70,134,725 respectively resulting to an under-realization of Kshs. 28,865,276 (or 29%) of the budget. Similarly, the Company expended Kshs. 66,757,050 against an approved budget of Kshs. 95,700,000 resulting to an under-expenditure of Kshs. 28,942,950 (or 30%) of the budget.
478. In the circumstances, under-realization of receipts and under-expenditure may have affected negatively the planned activities of the Company.

Management Response

479. Management submitted that during the year, actual revenue of Kshs. 70,134,725 represented 71% of the approved budget of Kshs. 99,000,000, while expenditure of Kshs. 66,757,050 represented 70% of the approved budget of Kshs. 95,700,000. The variances arose mainly from reduced volume of business, including a reduction in revenue of the hotel, cleaning, and consultancy services, within a post-COVID operating environment.
480. TUMEL is a commercial wing of the University operating without exchequer releases, and budget performance is therefore driven by market demand and project execution rather than guaranteed funding. Expenditure was aligned to available internally generated resources, reflecting prudent financial management, fiscal discipline, and avoidance of deficit financing.

Committee Observations

481. The Committee notes that the underutilization is attributed to the post-COVID operating environment.

Committee Recommendations

482. The Committee recommends that management strengthen revenue mobilization and prepare realistic budgets aligned to market conditions, while ensuring expenditure supports planned activities. Corrective performance plans and quarterly monitoring reports should be submitted to the Parent Ministry and National Treasury to safeguard accountability and service delivery.

8.1.7 Inconsistencies of Articles of Association and Board Charter on Composition of Board

483. Review of the **Articles of Association** revealed that the Company was incorporated on **07 August, 2013**. However, the Articles of Association and the **Board Charter** are inconsistent on Board composition, as indicated below:

Issue	Articles of Association	Board Charter
Chairman of the Board	Clause 19(a): The Board shall comprise of the Chairman of the University Council who shall also be the Chairman of the Company	Paragraph 2.2 (i): A Chairperson of the Board appointed by the TUM University Council (known as the “Council”) Chairperson from one of its independent members appointed under section 36(1)(d) of the Universities Act, 2012
The Principal Secretary, State Department for Industrialization, Ministry of Industrialization, Trade and Enterprise Development Representative Directors	Not provided for	Paragraph 2.2 (ii): The Principal Secretary, State Department for Industrialization, Ministry of Industrialization, Trade and Enterprise Development

Directors	<p>Clause 19(b):</p> <p>The Board shall comprise of two members of the University Council appointed under Section 36(1) of the University Act, 2012</p>	<p>Paragraph 2.2(iv):</p> <p>Four (4) Directors not being employees of State Corporations who shall be appointed by the Council</p> <p>In the circumstances, conflict between the Article of Association and the Board Charter may adversely affect the governance of the Company.</p>
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484. In the circumstances, conflict between the Article of Association and the Board Charter may adversely affect the governance of the Company.

Management Response

485. Management submitted that the Articles of Association constitute the primary and legally binding governance instrument for Technical University of Mombasa Enterprises Ltd (TUMEL), and all Board composition and appointments have been governed strictly in accordance with these Articles.

486. The Board Charter referenced in the audit was a draft working proposal shared with the parent University and the Ministry for consultation and was never formally adopted or relied upon as an operative governance instrument.

487. The apparent inconsistencies arose solely from this consultative draft and did not result in parallel or conflicting governance frameworks. Board appointments and operations have consistently followed the Articles of Association, and the State Department for University Education, through its letter dated 16 November 2021, provided formal guidance clarifying the appropriate Board composition.

488. Management confirms that the governance of the Company has not been adversely affected, and the clarification from the Ministry has informed alignment of all governance documentation going forward. The ministerial advisory is annexed as Annex 8: Ministerial Advisory on the Governance Structure of TUMEL.

489. Accordingly: Board appointments and operations continued to rely on the Articles of Association as the authoritative document. Management confirms that governance of the

Company has not been adversely affected, and the clarification from the Ministry has since informed alignment of governance documentation going forward.

Committee Observations

490. The Committee observed that management has not clearly explained the difference between the board charter and the articles of association.

Committee Recommendations

491. The Committee recommends that management harmonize the Articles of Association and Board Charter to eliminate inconsistencies in Board composition, ensure legal vetting of future governance documents within six (6) months of adoption of this report by the House. The OAG to report on the implementation of this directive in the next audit cycle for FY 2025/26.

8.1.8 Long Outstanding Trade and Other Payables

492. The statement of financial position as at 30 June, 2022 and Note 18 to the financial statements reflect trade and other payables of Kshs. 18,349,262. The trend analysis for the last three financial years, however, raises doubt as to the Company’s ability to settle its obligations as illustrated in the table below:

Year	Amount (Kshs.)
2019	8,064,118
2020	13,009,988
2021	10,083,680
2022	18,349,262

493. Non-settlement of liabilities as and when they fall due may lead to interest and penalties and the Company’s liquidity risk management could not be confirmed for the year ended 30 June, 2022.

Management Response

494. The trend analysis for the last four financial years, which includes revenue generated, account receivables and account payables is as follows:

Financial Year	Revenue	Trade & Other Payables (Kshs.)	Trade & Other Receivables (Kshs.)
FY 2019	27,687,911	12,064,118	18,598,301

FY 2020	59,290,137	17,009,988	19,961,624
FY 2021	88,877,421	10,083,680	33,553,229.68
FY 2022	68,054,295	18,349,262	34,726,669.96

495. As supported by the table, the increased volume of business occasioned the increasing trend of accounts payable and accounts receivables.
496. When assessed together with trade and other receivables, which exceeded payables in all the above years, the Company consistently maintained a net receivables position. The accounts payable have never attracted interest penalties.
497. TUMEL is a commercial wing of Technical University of Mombasa operating without exchequer releases, and the observed movements represent accrual-based working capital changes, and not liquidity distress. A significant portion of receivables is due from Government entities, which present low credit risk.

Committee Observations

498. The Committee observed that the analysis provided by management shows a positive liquidity ratio, but no evidence was provided to indicate that the recoverability of the debts is sufficient for the payment of liabilities.

Committee Recommendations

499. The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor supporting documentation on evidence of debt recovery towards payment of the liabilities for verification. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.2 Audited Statements for Financial Year 2022/2023 (Qualified Opinion)

8.2.1 Unexplained Variances Between Financial Statements and Ledger Balances

500. Review of the financial statements against the ledgers revealed unexplained variances between the balances as detailed below:

Component	Financial Statements (Kshs.)	Ledger (Kshs.)	Variance (Kshs.)
Revenue			
Consultancy	2,762,784	2,749,707	13,077

Component	Financial Statements (Kshs.)	Ledger (Kshs.)	Variance (Kshs.)
Hotel and Conference	50,214,712	43,079,400	(7,135,312)
Training and Capacity Building	6,419,629	6,451,629	32,000
Digital Centre	347,277	147,061	(200,216)
Cost of Sales			
Cooking Gas and Fuel	900,339	910,339	10,000
Housekeeping Items	346,147	304,769	(41,378)
Water Production Cost	4,618,815	717,737	(3,901,078)
Kitchenware	571,422	346,147	(225,275)
Office Materials and Stationeries	354,595	1,562,705	1,208,110
Foodstuff	14,812,740	12,355,250	(2,457,490)
Administration Costs			
Bank Charges	75,055	78,730	3,675
Board of Directors Allowances	2,400,580	2,424,100	23,520
Staff Meals Allowances	83,490	113,490	30,000
Office Expense	87,567	77,868	(9,699)
Permits and Licenses	411,841	403,141	(8,700)
Staff Travelling & Subsistence	2,608,270	2,624,870	16,600
Electricity & Lighting	746,576	541,636	(204,940)
Sanitary Services	42,400	68,650	26,250
Publishing & Printing Services	257,619	4,860	(252,759)
Maintenance and Repairs	6,369,259	5,961,173	(408,086)
Hire of Transport	1,729,920	1,029,920	(700,000)
Salaries and Wages	26,461,214	26,454,014	(7,200)
Extraneous Duties Allowance	247,200	217,200	(30,000)
Non-Current Assets			
Property, Plant and Equipment	7,880,675	7,949,482	(68,807)
Current Liabilities			

Component	Financial Statements (Kshs.)	Ledger (Kshs.)	Variance (Kshs.)
Trade and Other Payables	23,828,354	23,697,769	130,585

501. In the circumstances, the accuracy and completeness of the financial statements balance as reported could not be confirmed.

Management Response

502. Management submitted that all general ledger transactions are recorded in the designated **Finance Book**, which captures the complete and accurate set of entries used to prepare the financial statements. The ledger extracts used during audit review were generated without selecting the TUMEL Finance Book, resulting in partial extraction of entries and consequent apparent variances when compared with the financial statements.

503. To prevent recurrence, procedures have been strengthened by configuring the system to include the TUMEL Finance Book by default in all ledger extractions used for reporting and audit purposes.

504. Management confirms that the financial statements present the financial position and performance of the Company. The correctly generated ledgers are attached, and these reconcile with the figures reported in the financial statements.

Committee Observations

505. The Committee notes that the variance between the ledger and the financial statement had not been reconciled.

Committee Recommendations

506. The Committee recommends that within one (1) month of adoption of this report by the House, Management should reconcile the variance between the ledger and the financial statement and submit the same to the Auditor for verification. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.2.2 Inaccuracies in the Financial Statements

507. The statement of financial position reflects retained earnings balance of Kshs. 12,805,717, while the supporting Note 15 to the financial statements shows a corresponding balance of Kshs. 16,645,371, resulting in a variance of Kshs. 3,839,654 which has not been explained or reconciled.

508. Further, the following balances reflected in the financial statements differ with the re-cast balances, resulting in unexplained variances as indicated:

Item	Reported Balance (Kshs.)	Re-cast Balance (Kshs.)	Variance (Kshs.)
Trade and other receivables	29,102,362	27,377,623	1,724,739
Intangible Assets	326,815	326,833	(18)
Inventory	1,346,221	1,363,731	(17,510)
Trade and other payables	23,828,354	23,970,554	(142,200)

509. In the circumstances, the accuracy of the reported balances could not be confirmed.

Management Response

510. **Retained Earnings variance (Kshs. 3,839,654):**

- i. The balance of Kshs. 12,805,717 represents the opening retained earnings (brought forward) from FY 2021/2022.
- ii. The balance of Kshs. 16,645,371 represents the closing retained earnings (carried forward) for FY 2022/2023, after adding the profit for the year of Kshs. 3,839,654.
- iii. The difference of Kshs. 3,839,654 represents the current year's surplus as presented in the financial statements.

511. **Trade and Other Receivables variance (Kshs. 1,724,739):**

- i. The correct receivable balance for the State Department of Fisheries as per the detailed debtor ledger is Kshs. 11,282,051.50, not Kshs. 9,557,312.00 as applied in the re-cast computation.
- ii. When the correct balance is applied, the reported trade and other receivables reconcile to the ledger and supporting schedules.

512. **Trade and Other Payables variance (Kshs. 142,200)**

- i. The variance relates to an incorrect figure used in the re-cast schedules for a statutory liability.
- ii. The correct balance for the **VAT Control Account** is **Kshs. 1,747,852.41**, not **Kshs. 1,890,052.41**.

513. This error in the re-cast balances explains the resulting variance, and the amount reported in the financial statements is supported by the VAT control ledger.

Committee Observations

514. The committee observed that the variance between the notes and the financial statement had been reconciled and the matter is therefore resolved.

8.2.3 Unsupported Expenditure

515. The statement of profit or loss and other comprehensive income reflects the administration costs balance of Kshs. 52,140,804 which, as disclosed in Note 7 to the financial statements, includes rent and rates amount of Kshs. 1,284,000 whose supporting lease agreements or contracts were, however, not provided for audit.

516. In the circumstances, the accuracy, completeness and propriety of the rent and rates expenditure of Kshs. 1,284,000 could not be confirmed.

Management Response

517. Management submitted that the rent and rates expenditure of Kshs. 1,284,000 relates to office and hotel operational space leased from Technical University of Mombasa (TUM), the parent entity of Technical University of Mombasa Enterprises Limited.

Committee Observations

518. The Committee observed that the lease agreement does not reflect the cost of the lease.

Committee Recommendations

519. The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor relevant invoices and payment vouchers in support of the expenditure of Kshs.1,284,000 for verification. The Auditor to confirm this in the next audit cycle for FY 2025/26.

8.2.4 Property, Plant and Equipment

520. The statement of financial position reflects property, plant and equipment balance of Kshs. 7,880,675 as disclosed in Note 9 to the financial statements. However, the asset register provided for audit did not reflect assets information on: the type and description; acquisition date and cost; supplier details; estimated useful life; physical location and person allocated; condition; and tag or identification number as required by the Guidelines on Asset and Liability Management in the Public Sector template prescribed by the Public Sector Accounting Standards Board.

521. Further, the notes to the financial statements, under the statement of compliance and basis of preparation section, reflects annual depreciation rates of 12.5% on furniture, fittings and related equipment, and water processing plant on a straight-line basis. However, the rate differed with that applied in the schedule provided of 8%. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 7,880,675 could not be confirmed.

Management Response

522. Depreciation Rate Clarification: The approved depreciation rate of 12.5% for furniture, fittings, office equipment, and water processing plant was consistently applied, in line with the accounting policy disclosed in the financial statements. The perceived variance arose from proration of depreciation on asset additions, not from application of an incorrect rate. Depreciation on asset additions during the year was prorated from the date the asset became available for use, in accordance with:

523. IAS 16 - Property, Plant and Equipment, which requires depreciation to commence when an asset is available for use; and

524. TUMEL's approved Depreciation Policy, which expressly provides that "depreciation is charged on a prorate basis.

525. Although certain public-sector templates refer to full-year depreciation, TUMEL prepares its financial statements under IFRS, not IPSAS. IFRS does not permit charging depreciation for periods in which an asset was not in use. Proration ensures:

- i. Fair presentation of expenses.
- ii. Accurate matching of costs to periods benefiting from asset use; and
- iii. Avoidance of artificial inflation of expenses.

526. This approach is particularly appropriate for TUMEL as a commercial enterprise that relies on internally generated revenue and does not receive Exchequer releases.

Committee Observations

527. The committee observed that management provided the Asset register and the depreciation rate will be recalculated in the subsequent audit and the matter is therefore resolved.

8.2.5 Unreconciled Variance with Parent University

528. **Trade and Other Receivables:** The statement of financial position reflects trade and other receivables balance of Kshs. 29,102,362 which, as disclosed in Note 13 to the financial statements, includes receivables totalling to Kshs. 15,012,995 due from Technical University of Mombasa (TUM). However, the audited financial statements of the University reflected trade and other payables balance of Kshs. 3,823,412 as the amount due to TUMEL as at 30 June, 2023. The variance of Kshs. 11,189,583 was not reconciled or explained. In the circumstances, the accuracy and completeness of receivables balances amounting to Kshs. 15,012,995 could not be confirmed.
529. **Technical University of Mombasa Borrowing:** The statement of financial position reflects Kshs. Nil balance in respect of Technical University of Mombasa (TUM) borrowing. However, the financial statements of Technical University of Mombasa for the financial year ended 30 June, 2023 reflected Technical University of Mombasa Enterprises Limited (TUMEL) debtors balance of Kshs. 600,000, resulting in an unreconciled variance of Kshs. 600,000. In the circumstances, the accuracy and completeness of the Kshs. Nil balance of TUM borrowing could not be confirmed.

Management Response

530. TUMEL undertook a detailed reconciliation between the records of TUM and TUMEL. The reconciliation was prepared and reviewed by the respective finance teams. The reconciliation confirms that the receivables balance of Kshs. 15,012,995 reflected in TUMEL's financial statements is correctly stated. The variance of Kshs. 11,189,583 arose from timing differences in TUM's records as at 30 June 2023, where inter-entity transactions recognized by TUMEL had not been correspondingly reflected in TUM's payables ledger at year-end.
531. The TUM borrowing was repaid prior to the close of the FY 2022/2023, hence the Nil balance reflected in TUMEL's statement of financial position as at 30 June 2023.
532. The Kshs. 600,000 reflected as a debtor balance in TUM's financial statements relates to timing and classification differences within TUM's books and does not represent an outstanding borrowing liability in TUMEL's records.
533. TUMEL's accounting treatment is supported by complete loan amortization history, bank evidence, and system-generated ledgers.

534. Supporting loan schedules and TUMEL system extracts are attached for audit verification.

Committee Observations

535. The Committee observed that the reconciled amount for trade and other receivables had not been reflected in the financial statement.

536. Regarding *Technical University of Mombasa Borrowing* based on the evidence submitted (a reconciliation of the Kshs.600,000 variance with TUM), the Committee is satisfied that the matter has been duly addressed.

Committee Recommendations

537. The Committee recommends that Management ensure the reconciled amounts are disclosed in the financial statements within one (1) month of adoption of this report by the House. The OAG to confirm this in the next audit cycle for FY 2025/26.

8.2.6 Unsupported Provision for Bad Debts

538. The statement of financial position reflects trade and other receivables balance of Kshs. 29,102,362 which is net of provision for doubtful debts of Kshs. 4,054,364 as disclosed in Note 13 to the financial statements. However, Management did not provide the policy applied in determining the rates and timing to justify the provision made. Additionally, TUMEL's finance policy did not include determination of provision for doubtful debts. In the circumstances, the accuracy and completeness of the provision for doubtful debts of Kshs. 4,054,364 could not be confirmed.

Management Response

539. The provision for doubtful debts of Kshs. 4,054,364 was determined in accordance with TUMEL's approved Finance Policy, Section 4.6.1 - Provisions. The policy provides guidance on the timing, categorization, and rates for provisions based on receivables ageing, as follows:

- i. 8 months to 1 year: 5% (general provision)
- ii. 1 to 2 years: 50% (specific provision)
- iii. Over 2 years: 100% (specific provision)

540. The provision was computed from the year-end ageing analysis of trade and other receivables and recognized in line with the accrual basis of accounting.

Committee Observations

541. The Committee observed that management did not provide computation rates that resulted in the provision for doubtful debts of Kshs. 4,054,364.

Committee Recommendations

542. The Committee recommends that Management should clearly disclose the rates in use that resulted in provision for doubtful debts of Kshs.4,054,364, within one (1) month of adoption of this report by the House. The Auditor, to confirm this in the next audit cycle for FY 2025/26.

8.2.7 Unsupported Provisions Balance

543. The statement of financial position reflects provisions balance of Kshs. 655,570 as at 30 June, 2023 which decreased by Kshs. 2,527,230 from the prior year's balance of Kshs. 3,182,800. However, the supporting ledger or movement schedule was not provided for audit. In the circumstances, the accuracy and completeness of the provisions balance of Kshs. 655,570 could not be confirmed.

Management Response

544. Management submitted that the provisions balance of Kshs. 655,570 as at 30 June 2023 relates to a specific provision for expenses incurred in respect of Lamu County Training.

545. The amount represents accrued costs for trainers/facilitators who had delivered training services by year-end, but whose payments had not yet been processed.

546. The reduction from the prior year's balance reflects the settlement of previously provided obligations, leaving only the outstanding amount of Kshs. 655,570 as at year-end.

Committee Observations

547. The committee observed that the journals in support of Kshs. 655,570 was submitted and the matter is therefore resolved.

8.2.8 Unconfirmed Dividend Payable

548. The statement of financial position reflects dividend payable balance of Kshs. 2,042,752. However, review of the parent University (TUM) financial statements revealed that the amount had not been disclosed as dividend receivable from TUMEL. In addition, no board minutes were provided in support of the dividend declaration or explanation for the declaration of dividend payment without the board approval. In the circumstances, the accuracy, completeness and validity of the dividend payable of Kshs. 2,042,752 could not be confirmed.

Management Response

549. Management submitted that the dividends were declared in 2023 and ratified by the shareholders (TUM) on 14 January 2025.
550. As at 30 June 2023, the dividend had not yet been ratified by the shareholders. The ratification took place during TUMEL's 1st AGM Meeting on 14 January 2025 and was therefore not recognizable in TUM's financial statements, hence the non-disclosure in TUM's books at that date. This represents a timing difference, not an error or omission.

Committee Observations

551. The committee observed that the receivable was disclosed in TUM accounts for the year ended 30 June 2025 and the matter is therefore resolved.

8.2.9 Budgetary Control and Performance

552. The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on a comparable basis of Kshs. 98,700,000 and Kshs. 88,274,640 respectively, resulting to under-realization of Kshs. 10,425,360, or 11% of the budget. Similarly, the Company expended Kshs. 84,189,136 against an approved budget of Kshs. 96,223,554, resulting to an under-expenditure of Kshs. 12,034,418, or 12% of the budget.
553. The under-realization and under-expenditure may have affected the planned activities of the Company.

Management Response

554. During the year, the actual revenue of Kshs. 88,274,640 represented 89% of the approved budget of Kshs. 98,700,000, resulting in an under-realization of Kshs. 10,425,360 (11%). Expenditure amounted to Kshs. 84,189,136 against an approved budget of Kshs. 96,223,554, translating to an absorption rate of 88% and an under-expenditure of Kshs. 12,034,418 (12%).
555. The revenue variance arose mainly from lower-than-anticipated business volumes across some operational segments during the year, which in turn informed expenditure adjustments. TUMEL operates as a commercial entity without exchequer support, and budget performance is therefore largely dependent on market demand, client uptake, and timely execution of projects.
556. Expenditure was managed within available internally generated resources, reflecting financial management best practices, fiscal discipline, and a deliberate effort to align costs

to actual revenue performance while avoiding deficit financing. Although the variances may have moderated the pace of implementation of some planned activities, the approach ensured financial sustainability during the period.

Committee Observations

557. The under realization and the under expenditure was attributed to lower-than-anticipated business volumes across some operational segments during the year. Further, the Committee notes that this issue is a recurrence from the previous FY and therefore reiterates the recommendation issues earlier on this matter.

8.2.10 Weak Controls Over Imprests Management

558. During the financial year 2022/2023, TUMEL incurred an expenditure of Kshs. 2,608,270 on staff travelling and subsistence against an approved budget of Kshs. 1,800,000, resulting in an over-expenditure of Kshs. 808,270. In addition, temporary imprests issued to officers for the various activities were not supported with an imprest register for recording the imprest and an imprest warrant for the issued imprest, contrary to Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015, which stipulates that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

559. In the circumstances, Management was therefore in breach of the law and the Company's assets are at risk of loss.

Management Response

560. The reported over-expenditure arose from a comparison with the original budget of Kshs. 1,800,000. However, the allocation for staff travelling and subsistence was revised to Kshs. 3,000,000 through an approved Supplementary Budget, and actual expenditure of Kshs. 2,608,270 was therefore within the approved budget.

561. Although imprests issued were authorized and retired, an imprest register and standardized imprest warrants were not consistently maintained during the year, constituting a procedural control gap.

562. To address this, imprest requisition, surrender, and staff claims have now been configured and automated within the ERP system, alongside formal imprest system management documentation.

Committee Observations

563. The Committee observed that the supplementary estimate was not attached and the Imprest register was not provided to the OAG for verification.

Committee Recommendations

564. The Committee recommends that management should submit a supplementary estimate and an imprest register to the Auditor for verification within one (1) month of adoption of this report by the House. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.2.11 Long Outstanding Trade and Other Payables

565. The statement of financial position and Note 17 to the financial statements reflects trade and other payables balance of Kshs. 23,828,354. Analysis for the last three financial years shows an increasing trend (2021: Kshs. 10,083,680; 2022: Kshs. 18,349,262; and 2023: Kshs. 23,828,354). Non-settlement of liabilities as and when they fall due may lead to interest and penalties.

566. In the circumstances, the Company's liquidity risk management could not be confirmed.

Management Response

567. The trend analysis for the last four financial years, which includes revenue generated, accounts payable, and accounts receivable, is as follows.

Financial Year	Revenue	Trade & Other Payables (Kshs.)	Trade & Other Receivables (Kshs.)
FY 2021	88,877,421	10,083,680	33,553,229
FY 2022	68,054,295	18,349,262	34,726,669
FY 2023	88,003,880	23,828,354	29,102,362
FY 2024	129,794,791	25,252,583	45,568,835

568. As supported by the table, the increased volume of business occasioned the increasing trend of accounts payable and accounts receivable.

569. When assessed together with trade and other receivables, which exceeded payables in all the above years, the Company consistently maintained a net receivables position. The accounts payable have never attracted interest or penalties.

570. Management confirms that liquidity risk was monitored and managed, and the increasing trend in payables does not indicate an inability by the Company to meet its obligations.

Committee Observation

571. The Committee notes that this issue is a recurrence from the previous FY and therefore reiterates the recommendations previously issued on this matter.

8.3 Audited Statements for Financial Year 2023/2024 (Qualified Opinion)

8.3.1 Unexplained Variances

572. The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.129,794,791 while on recasting the amount totalled Kshs.66,939,427. Further, the opening balance of total revenue of Kshs.88,003,880 differs with the closing balance of the audited financial statements as at 30 June 2023 of Kshs.57,626,316. The resultant variances of Kshs. 62,810,363 and Kshs. 30,377,564 were not explained or reconciled.

573. The following balances reflected in the financial statements differ with the re-cast balances, resulting in unexplained variances as indicated:

	Note	Reported Balance Kshs.	Re-cast Balance Kshs.	Variance Kshs.
Property, Plant and equipment	11			
Cost of Valuation				
As at 30 June 2024		6,928,571	6,910,571	18,000
Net Book Value		3,145,042	3,127,042	18,000
Dividends payable	26	5,255,650	5,221,614	34,036
Total Tax Payable	27	9,032,650	9,195,145	-162,495
Tax payable	27	3,692,919	3,741,667	-48,748

574. In the circumstances, the accuracy and completeness of the financial statement's balances could not be confirmed.

Management Response

575. The total Revenue of Kshs.129,794,791.70 comprises of revenue from operations of Kshs.128,915,184 and other income of Kshs. 876,607.70. The recasting of the Auditor General included the cost of sales, which is not part of total revenue.

576. The opening balance of total revenue of Kshs.88,003,880 is the correct tabulation. The figure of Kshs.57,626,316 as disclosed in the year ended 30 June 2023 was wrongly casted

since it included cost of sales which should not be the case, hence the error was corrected in FY2023/2024.

577. However, it should be noted that the error does not affect the profit because the calculation of profit includes the cost of sales.

578. There was a casting error in the computation of Note 11, which was corrected in FY2024/2025 through prior year adjustments.

579. There was a recasting error in Note 26, however the correct value was reflected in the statement of the financial position hence the financial statement reflects the true financial position of dividend payable

580. There was a casting error in the computation of Note 27. However, the tax payable has been reconciled with KRA, and the net balance in the financial statements is the reconciled value payable to KRA.

Committee Observations

581. The committee observed that the total revenue is as stated, comprising revenue from operations of Kshs.128,915,184 and other income of Kshs. 876,607.70. Further, the variances between the reported balance and recasted amounts have since been reconciled and the matter is therefore resolved.

8.3.2 Trade and Other Receivables

582. *Long Outstanding Trade Receivables:* The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs.45,568,836, net of the allowance for doubtful debts of Kshs.3,504,306. The gross trade receivables of Kshs.49,073,141 is comprised of receivables outstanding for over one hundred and twenty days (120) of Kshs.6,387,553. Management has not indicated efforts made to recover the long outstanding debts. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.6,387,553 could not be confirmed.

583. *Unreconciled Variance with Debtor Records:* The statement of financial position and Note 15 to the financial statements, reflect trade and other receivables balance of Kshs.45,568,836 which includes Kshs.5,695,592 due from the Technical University of Mombasa (TUM). However, the amount differed from that reflected in the University's audited financial statements of Kshs.1,489,164, resulting in an unreconciled variance of

Kshs.4,206,428. In the circumstances, the accuracy and completeness of the receivables balance of Kshs.5,695,592 could not be confirmed.

Management Response

584. Management has noted that the long-outstanding receivables amounting to Kshs. 6,387,553 relate to Government agencies, which are not exposed to insolvency risk. The delays in settlement arise from Government budgetary cycles and approval processes. Management continues to follow up with the respective agencies.

585. The amount of Kshs.5,695,592 as reflected as receivable from TUM is the verifiable amount evidenced by a reconciliation done and concluded on 23rd September 2024 between TUM and TUMEL.

Committee Observations

586. The committee observed that no demand letters had been provided as proof of follow-up on the outstanding amounts. For the unreconciled variance with debtor records the Committee notes that the reconciled amount had not been reflected in the financial statement.

Committee Recommendations

587. The Committee recommends that, for the long-outstanding trade receivables, Management should issue demand letters as evidence of follow-up efforts. For the unreconciled variances with debtor records, Management should ensure that the reconciled amounts are duly disclosed in the financial statements within one (1) month of the House's adoption of this Report. The Auditor-General should report on the implementation of both directives in the next audit cycle for FY 2025/26.

8.3.3 Unconfirmed Dividends Payable

588. The statement of financial position reflects dividends payable balance of Kshs.5,255,650 which include dividends declared during the year of Kshs.3,178,862. However, review of the parent University's (TUM) financial statements revealed that the amount had not been disclosed as dividend receivable from TUMEL. In addition, no shareholders' approval, TUMEL Board of Directors recommendation or Management's explanation was provided in support of the dividend declaration.

589. In the circumstances, the accuracy, completeness and validity of the dividend payable of Kshs.5,255,650 could not be confirmed

Management Response

590. The correct dividend payable balance is Kshs. 5,221,614.23 and correctly stated in the TUMEL financial statements as at 30 June 2024. The dividends were declared in 2024 and ratified by the shareholders (TUM) on 14 January 2025.

591. As at 30 June 2024, the dividend had not yet been ratified by the shareholders in TUMEL's 1st AGM Meeting on 14 January 2025 and was therefore not recognizable in TUM's financial statements, hence the non-disclosure in TUM's books at that date. This represents a timing difference, not an error or omission.

Committee Observations

592. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

8.3.4 Unsupported Inventory and Other Payables

593. The statement of financial position and Note 14 reflects inventory of Kshs.1,338,972, supported by schedules but without the stock take report for the period ended 30th June 2024.

594. Further, Note 23 shows trade and other payables balance of Kshs. 25,252,583 which includes PAYE – Staff and Gratuity payable of Kshs.368,375 and Kshs.1,237,508 respectively which were also not supported with staff listing.

595. In the circumstances, the accuracy and completeness of the inventory, PAYE – Staff and Gratuity payable balances of Kshs.1,338,972, Kshs.368,375 and Kshs.1,237,508 respectively could not be confirmed.

Management Response

596. The supporting schedules for **closing stock, PAYE – Staff, and gratuity payable** have been submitted for review.

597. These include detailed stock count schedules, PAYE staff listings, and gratuity computation schedules supporting the balances as at **30 June 2024**.

Committee Observation

598. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

8.3.5 Irregular Engagement of Consultants

599. The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflect cost of sales of Kshs.62,855,364, which includes Kshs.36,691,253 on consultancy expenses. The Enterprise offered consultancy services to Tourism Research Institute when undertaking situational analysis on adoption of sustainable best practices, evaluate the impact of climate change on the tourism sector in Kenya and designing appropriate climate response and sustainable best practices in line with global benchmarks under a contract signed on 21 June, 2023 for contract amount of Kshs.43,831,296. The Enterprise engaged the services of seven (7) experts for a period of eight (8) months starting from 21 June, 2023. However, the following procurement anomalies were noted:

600. *Unsupported Engagement of Experts:* Review of the procurement records shows that despite the experts holding contract agreements with TUMEL, there was no evidence of any procurement process being followed from requisition, advertisement of expression of interest or request for proposals, evaluation and award of the consultancy services to signed contracts. Management indicated that they identified and engaged the experts through networking, a process which was unsupported, and irregular.

601. *Unexplained Variances on Remuneration Amounts:* Review of the remuneration amounts to the experts as reflected in Form FIN-3A submitted by TUMEL to Tourism Research Institute (TRI) compared to the individual experts' contract amounts had unexplained variances as shown below;

Position	Form FIN-3A Amount (Kshs.)	Contract Amount (Kshs.)	Variance (Kshs.)
Lead Expert/Consultant	1,932,000	2,508,000	576,000
Tourism Sustainability Specialist	1,716,000	1,104,000	(612,000)
Climate Change Expert	1,716,000	1,140,000	(576,000)
Tourism and Environmental Economist	1,860,000	1,404,000	(456,000)
Statistician/Analyst	1,716,000	1,104,000	(612,000)
GIS Analyst	972,000	1,044,000	72,000
Stakeholder Engagement Specialist	900,000	1,044,000	144,000
	10,812,000	9,348,000	

602. The difference in remuneration of the experts was explained by Management to be based on a revenue-sharing policy signed between the consultants and TUMEL. However, the policy document provided was neither approved by the Board nor signed by the Chairman of the Board of Directors and it was not demonstrated how the contract amounts were based on the policy guidelines.
603. Further, there was no evidence of formal discussions between Management and the Experts in regards to the remuneration. In the circumstances, the regularity and validity of the consultancy services expenses of Kshs.36,691,253 could not be confirmed.

Management Response

604. Management clarified that the experts were initially identified solely to support the development of the Technical Proposal submitted to the Tourism Research Institute (TRI). This engagement was limited to proposal preparation, subject to approval or rejection by TRI, and no consultancy services were rendered prior to contract award.
605. Of the key experts, three (3) were drawn from the Technical University of Mombasa and were engaged through a formal request to the Vice-Chancellor, while the remaining experts were sourced from TUMEL's existing database of consultants.
606. Following approval and award of the contract, the experts were formally engaged through executed consultancy agreements in line with the approved Technical Proposal. All substantive consultancy services forming part of the contract value and cost of sales were undertaken after contract award.
607. The amounts indicated in the bidding proposals represent the gross professional fees submitted for purposes of bid evaluation and contract award. Upon successful award, the actual remuneration payable to consultants is governed by TUMEL's approved revenue-sharing policy, which sets out the basis for fee allocation between the consultants and the Company.
608. The resulting variances therefore arise from the application of this policy, which requires the company to get its share of 20%.
- i. The Board-approved revenue-sharing policy is attached.
 - ii. The contract amounts were calculated and based on the revenue-sharing policy as below
 - iii. **Total revenue is: 37,785,600 (VAT exclusive)**

iv. 20% of the Total revenue = 7,557,120

609. From the table, the amount retained by the company from the experts was **KSh. 1,464,000**. Other monies were also obtained from other charges in the project.

Committee Observations

610. The Committee observed that in the engagement of experts, the formal process of identifying the consultants was not provided.

611. For the unexplained variances in remuneration amounts, the committee observed that the amount paid as contract amounts is in agreement with the revenue sharing policy, and the matter is therefore resolved.

Committee Recommendations

612. The Committee recommends that Management should submit to the Auditor the documented process of identifying the consultants for verification within one (1) month of adoption of this report by the House. The Auditor to report on this issue in the next audit cycle for FY 2025/26.

8.3.6 Budgetary Control and Performance

613. The statement of comparison of budget and actual amounts reflects revenue final budget and actual amounts on comparable basis of Kshs.149,100,000 and Kshs.129,794,792 respectively, resulting to under-realization of Kshs.19,305,208, or 13% of the budget. The under-funding may have affected the planned activities of the Company.

Management Response

614. Technical University of Mombasa Enterprises Limited (TUMEL) is not funded from the Exchequer and operates as a self-financing commercial entity. As such, the variance represents a revenue under-performance rather than under-funding, and any impact on planned activities was attributable to lower-than-projected internally generated revenue, not government funding constraints.

Committee Observations

615. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued on this matter earlier.

8.3.7 Presentation of the Financial Statements

616. The financial statements presented for audit reflected presentation anomalies in the table of contents, the Chairman's Statement, Report of the Managing Director, Statement of

Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities are erroneously reflected to be in page xxi, xxii, xxvi, xxiv, xxvi, xxvii, xxxi, xxxiii, xxxiv instead of pages xi, xii, xiv, xvi, xvii, xxi, xxiii and xxiv respectively. This was contrary to the reporting template prescribed by the Public Sector Accounting Standards Board. In the circumstances, Management was in breach of the law.

Management Response

617. Management notes the observation on presentation anomalies in the table of contents and narrative sections of the draft financial statements submitted for audit. The identified anomalies were purely presentational and were corrected before finalization of the financial statements.
618. The audited and finalized financial statements comply with the Public Sector Accounting Standards Board (PSASB) prescribed reporting template, including correct section sequencing and pagination.

Committee Observations

619. The committee observed that management submitted the financial statement that had been prepared using IPSAS standard reporting and the matter is therefore resolved.

8.3.8 Weak Internal Controls in Accounting of Revenue

620. The statement of profit or loss and other comprehensive income reflects revenue from operations of Kshs.128,915,184. The amount includes revenue on consultancy of Kshs.44,777,243. However, review of the records provided in support of the revenue showed the following anomalies;
621. *Duplication of Invoices:* There were instances of duplicated invoices with no credit notes for cancellation of the duplicates. It was observed that invoice number 1243 dated 31/07/2023 and invoice number 1484 dated 19/10/2023 had the same amounts of Kshs.6,574,694 and both had ETR receipts. Management explained that invoice number 1484 was an error and was subsequently cancelled with a credit note. However, neither the invoice that was cancelled nor the credit note issued were entered into the system. Further, invoice number 2103 dated 25/06/2024 and invoice number 2171 dated 23/08/2024 had the

same amounts of Kshs.13,149,389. Management explained that invoice 2171 was cancelled, but no credit note was issued in support of the cancellation.

622. *Duplication of Contracts:* Review of the contract agreements on consultancy revealed that two (2) contracts of similar nature and terms of reference were offered to the same consultant in respect of Geographic Information System Analyst, both signed by the Accounting Officer and the Project Steering Committee Chair on 21st June 2023. However, one contract indicated the Professional fee payment as Ksh.1,044,000 while the other as Ksh.972,000. Management explained that one of the contracts was erroneously addressed to the consultant instead of a different consultant. However, it was not explained why Management signed a contract for a consultant whose name was not in the contract document.
623. *Failure to Record Accountable Documents:* Review of records maintained by Management disclosed that the entity did not have a record of accountable documents issued and used. The completeness of the invoices and LPOs/Contracts issued and used during the period could not be ascertained.
624. In the circumstances, effectiveness of internal controls on revenue could not be confirmed.

Management Response

625. Sales Invoice No. 1484 dated 19/10/2023 amounting to Kshs. 6,574,694.40 (VAT inclusive) was reversed through issuance of a credit note. The revenue recognized relates to Sales Invoice No. 1243 of the same amount dated 31/07/2023, which represents the valid invoice for the transaction. Supporting documentation is attached as Annex 21.
626. Sales Invoice No. 2171 dated 23/08/2024 amounting to Kshs. 13,149,388.80 (VAT inclusive) was cancelled prior to posting in the system, as the physical invoice was voided during the manual invoicing phase. Consequently, the revenue recognized relates to Sales Invoice No. 2103 of the same amount dated 25/06/2024. This occurred during a transition period when physical invoices were still in use, prior to full implementation of new eTIMS-integrated invoicing ERP system. Supporting documentation is attached as: Annex 19: Credit Note Issuance and Invoice Cancellation.
627. The correct contract value for Mr. Jared Lumbasi is Kshs. 972,000, which is the amount that was duly approved and paid. The amount of Kshs. 1,044,000 relates to Mr. Gerald

Gichuki and was inadvertently reflected due to a document “save as” error during the contract drafting stage. The error was administrative in nature and did not affect the approval or payment process.

628. Supporting documentation, including Mr. Jared Lumbasi’s executed contract, the Project Steering Committee Chair’s letter requesting payment, and the relevant bank statement, is attached as: Annex 20: Contracts for Mr. Jared Lumbasi, Gerald Gichuki, and Dr. Vincent Oeba.
629. Management notes the observation. As part of ongoing efforts to streamline processes and strengthen record management, the absence of a consolidated register of accountable documents during the period has been addressed through the establishment of a centralized accountable documents register, complemented by the use of the existing ERP system to support tracking and monitoring.
630. The register, together with periodic reconciliations, ensures the completeness and accuracy of records for invoices, LPOs, and contracts. These measures have improved document accountability, enhanced monitoring, and strengthened the reliability of financial records going forward.

Committee Observations

631. The Committee observed the following:
- (i) Regarding duplication of invoices, Management did not submit evidence of the invoice cancelled and credit not issued in the system;
 - (ii) Regarding the duplication of contracts, the committee is satisfied that the issue is duly addressed based on the evidence submitted
 - (iii) Regarding failure to record accountable documents, no register of accountable documents was provided to the auditor for review.

Committee Recommendations

632. The Committee recommends the following:
- (i) Management to submit to the auditor documents for the cancellation of duplicate invoices and a record of the accountable documents so as to account for all invoices and LPOs issued to the auditor for verification purposes within one (1) month of adoption of this report by the House. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.4 Audited Statements for Financial Year 2024/25 (Qualified Opinion)

8.4.1 Inaccurate Statement of profit or loss and other comprehensive income

633. The statement of profit or loss and other comprehensive income reflects total revenue of Kshs. 76,163,166 while on recasting the amount shows Kshs. 52,948,827. The resultant variance of Kshs. 23,214,339 was not explained or reconciled.
634. In the circumstances, the accuracy and completeness of the financial statements' balances could not be confirmed.

Management Response

635. The total Revenue of Kshs.76,163,166 comprises of revenue from operations of Kshs.76,163,166 and other income of Kshs. 0. The recasting of the Auditor General included the cost of sales of Kshs. 23,214,339, which is not part of total revenue.

Committee Observations

636. The committee observed that the supporting documentation provided by management indicated that the total revenue is as stated, comprising revenue from operations of Kshs. 76,163,166 which did not include the cost of sales and the matter is therefore resolved.

8.4.2 Inaccurate Property, Plant and Equipment Balance

637. The statement of financial position and as disclosed in Note 11 to the financial statements reflects property, plant and equipment balance of Kshs. 9,007,591 which includes plant and machinery whose cost as at 30 June, 2025 was Kshs. 8,439,620. However, recasting of the plant and machinery balance revealed cost of Kshs. 8,421,620 resulting to an unexplained variance of Kshs. 18,000.
638. Further, Note 11 to the financial statement reflects property, plant and equipment balance of Kshs. 9,007,591 net of accumulated depreciation charge of Kshs. 9,158,841. However, the depreciation charge for the prior year of Kshs. 2,655,050 differs with the comparative amount of depreciation and amortization expense under Note 9 to the financial statements of Kshs. 2,967,545 by an amount of Kshs. 312,495. Similarly, the depreciation amount for the period ended 30 June, 2025 of Kshs. 2,272,780 shown in the schedule differs with depreciation and amortization expense under Note 9 to the financial statements of Kshs. 3,317,195 by an amount of Kshs. 1,044,415.
639. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 9,007,591 could not be confirmed.

Management Response

640. The KShs. 18,000 variances noted in Note 11 (Property, Plant and Equipment) represents a prior period error arising from an omission in the previous year. In accordance with IPSAS 3 / IAS 8, the amount will be corrected through a prior year adjustment in FY 2024/2025 by restating the opening PPE balance.
641. For the prior year, the depreciation and amortization expense disclosed in Note 9 amounts to Kshs. 2,967,545, which agrees with the comparative figure reported in the financial statements. Accordingly, the variance of Kshs. 312,495 does not exist and appears to have arisen from reliance on an incomplete schedule that excluded certain amortization components (PPE only).
642. For the current year ended 30 June 2025, the amount of Kshs. 2,272,780 represents depreciation of Property, Plant and Equipment (PPE) only, as reflected in the PPE schedule Note 11. The total depreciation and amortization expense of Kshs. 3,317,195 disclosed under Note 9 comprises PPE depreciation of Kshs. 2,272,780, amortization of right-of-use assets of Kshs. 150,000 (Note 13), and amortization of intangible assets of Kshs. 162,494.80 (Note 12). When considered in aggregate, these amounts reconcile to the total disclosed expense

Committee Observations

643. The Committee observed that the variances as reflected in the PPE have not been corrected.

Committee Recommendations

644. The Committee recommends that Management corrects the variances within one (1) month of adoption of this report by the House and the Auditor to confirm the correction of the variances in the next audit cycle for FY 2025/26.

8.4.3 Unsupported Staff Costs

645. The statement of profit/loss and other comprehensive income and Note 9 reflects administration costs of Kshs. 60,248,483. Included in this amount is Kshs. 32,869,105 relating to staff costs which further includes Kshs. 1,717,870 and Kshs. 345,000 expended on gratuity and staff bonus and incentives respectively. However, the amounts were not supported with any expenditure documents.

646. In the circumstances, the accuracy and completeness of the administration costs of Kshs. 60,248,483 could not be confirmed.

Management Response

647. Gratuity: The gratuity amount of Kshs. 1,717,870 represents an accrued provision for employees on long-term contracts, as provided for in the HR Policy & Procedures Manual. Under Section 2.7.1(ii), eligible management staff are entitled to service gratuity calculated at 31% of consolidated salary for each month worked, payable upon completion of the contract.
648. Bonus and Incentives: Staff bonus and incentives (Gift Voucher) amounting to Kshs. 345,000 were granted in line with the HR Policy & Procedures Manual, Section 4.0 (Remuneration). The gift vouchers were approved by Management.

Committee Observations

649. The Committee observed that management did not provide the staff expenditure documents on which the 31% gratuity was calculated for review by the OAG.

Committee Recommendations

650. The Committee recommends that Management should provide the staff expenditure documents that the 31% gratuity was calculated within one (1) month of adoption of this report by the House for verification and the Auditor to confirm this in the next audit cycle for FY 2025/26.

8.4.4 Long Outstanding Trade Receivables

651. The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs. 30,599,561 which includes long outstanding receivables of more than one hundred and twenty (120) days of Kshs. 14,273,809. Management indicated that the receivables are due from state agencies and the County Governments of Mombasa, Kilifi and Kwale and settlement of obligations by these Government entities is subject to delayed budgetary releases and procedural approvals. However, Management did not provide demand letters, follow-up correspondence or any other proof that they had made effort to recover the long outstanding receivables.
652. In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs. 30,599,561 could not be confirmed.

Management Response

653. Management confirms that recovery efforts have been ongoing through engagements, reconciliations, invoicing confirmations, and follow-ups with the respective Government entities. Formal demand letters were not issued due to the intergovernmental nature of the transactions.

Committee Observations

654. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

8.4.5 Budgetary Control and Performance

655. The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on a comparable basis of Kshs. 211,800,000 and Kshs. 76,346,372 respectively resulting in under-funding of Kshs. 135,453,628 or 64% of the budget.

656. The underfunding may have affected the planned activities of the Company.

Management Response

657. The approved revenue budget of Kshs. 211,800,000 was aspirational and project-driven, based on the anticipated award and execution of large consultancy and externally funded assignments, which are subject to external approvals, client readiness, and procurement cycles, particularly within the public sector.

658. Management notes that the variance represents under-realization of projected revenue, not under-funding, as TUMEL does not receive exchequer support and finances its operations entirely from internally generated income. Expenditure was therefore aligned with actual revenue, ensuring continuity of core operations, staff obligations, and statutory commitments.

659. While revenue fell below the aspirational target, TUMEL continued to operate within available resources, and planned core activities were implemented in line with realized income.

Committee Observations

660. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

8.4.6 Lack of Procurement Documents for Contracted Professional Services

661. The statement of profit or loss and other comprehensive income and Note 9 reflects administration costs of **Kshs. 60,248,483**. Included in the amount is **Kshs. 1,372,000**

relating to contracted professional services. Review of expenditure revealed that the Enterprise made payments amounting to **Kshs. 457,000** for consultancy services for different providers. However, no documents in support of the procurement of the consultancy services were provided for audit review.

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

Management Response

663. Management notes the observation and clarifies that the amount of Kshs. 457,000 related to reimbursement of travel and accommodation expenses and did not constitute consultancy fees or contracted professional services under the Public Procurement and Asset Disposal Act (PPADA), 2015.

664. The expenditure was initially misclassified under contracted professional services instead of daily subsistence allowance. The costs related to temporary (safari) imprests advanced to facilitate a co-opted Government officer who provided interim finance support during a period when TUMEL did not have a substantive Finance Officer. The officer had previously served as TUMEL's Finance Officer and was engaged on the basis of institutional familiarity to ensure continuity of financial operations.

665. The imprests covered accommodation, transport, subsistence, and incidental expenses. The expenditure has since been correctly reclassified to the appropriate vote, and the financial statements amended accordingly.

Committee Observations

666. The Committee observed that evidence of payment vouchers for travel and accommodation expenses which did not constitute consultancy, was not submitted to the Auditor for verification.

Committee Recommendations

667. The Committee recommends that within one (1) month of adoption of this report by the House, Management submits to the Auditor evidence of payment vouchers verification for purposes. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.4.7 Late Acceptance of Tender Award

668. During the year under review, the entity procured for an ERP Next System Upgrade and Support from a firm at a contract sum of Kshs.285,000 per annum. However, audit scrutiny of the procurement file revealed that there was no evidence of advertisement and

invitation to tender. Further, the letter of notification of award dated 24 March, 2025 required the letter of acceptance to be signed within fourteen (14) days; however, it was signed on 10 April, 2025, three (3) days past the set deadline. In the circumstances, Management was in breach of the law.

Management Response

669. The procurement for the ERP Next System Upgrade and Support at a contract sum of Kshs. 285,000 per annum was conducted through a Request for Quotations (RFQ) method in accordance with Section 105 of the Public Procurement and Asset Disposal Act (PPADA), 2015. Provide an extract of RFQ.
670. Regarding the three (3) day delay in signing and returning the Letter of Acceptance, Management confirms that the supplier formally explained the delay in writing and reaffirmed full commitment to the contract, as evidenced by the attached correspondence dated 10th April 2025. The delay was administrative in nature and did not result in any financial loss, variation of contract terms, or delay in commencement or implementation of the assignment. The acceptance was acknowledged by TUMEL on the same date, and contractual obligations proceeded as planned.

Committee Observations

671. The Committee observed that quotations issued and evidence that they are part of the entity prequalified list were not provided to the auditor for verification.

Committee Recommendations

672. The Committee recommends that within one (1) month of adoption of this report by the House, Management should submit to the Auditor quotations issued and documents showing that the quoted clients are in the prequalified list of TUMEL for verification purposes. The Auditor to report on this in the next audit cycle for FY 2025/26.

8.4.8 Failure to Integrate the Revenue Billing System to the Financial Management System

673. Review of revenue management system records indicates that the entity used an ERP software which was procured from a software vendor to enable efficient management of operations and also used a POS system in the restaurant for billing. However, contract documents for the procurement of both systems were not provided for audit review. Further, the ERP System was not integrated or synchronized with the POS System, M-

Pesa revenue paybill account or bank account, to automatically reflect payments made by clients. Billing was done manually by the restaurant and hotel staff in the POS System while invoicing also was done manually by the finance staff who confirmed the bills and fed them into the ERP System for invoicing.

674. There was no integration between ERP System and POS System and verification and confirmation of payments was done manually by the same finance staff who fed payment details and references to the ERP System for receipting.
675. In addition, there was a disconnect between revenue billing and invoicing and there was also no segregation of duties of invoicing and confirmation of payments and receipting.
676. In the circumstances, the integrity and reliability of the ERP System could not be confirmed.

Management Response

677. Contract documents for the procurement of the SambaPOS and ERPNext systems are provided.
678. While both systems are business management applications, they differ significantly in their underlying technologies and functional focus. SambaPOS is focused for point-of-sale operations, menu management, ticketing, and kitchen orders. In contrast, ERPNext offers a greater model focusing on modules such as Sales Invoices, Stock Ledgers, Chart of Accounts, Human Resources, and more.
679. Due to these differences, direct mapping between the two systems is not direct. For instance, a "Ticket" in SambaPOS does not directly correspond to a "Sales Invoice" in ERPNext. To bridge this gap, a custom API has been developed to act as middleware – reading data from the SambaPOS SQL database and pushing relevant information into ERPNext.
680. As an example, when a sale is recorded in SambaPOS, the middleware automatically generates a corresponding Sales Invoice in ERPNext. This integration is currently in the testing phase before it is fully implemented.

Committee Observations

681. The committee observed that the contract document provided and the disconnect in the systems explained was provided and the matter is resolved.

8.4.9 Lack of an ICT Policy, IT Continuity Plan and Disaster Recovery Plan

682. Review of administrative and ICT records including internal controls revealed that the Enterprise lacked a formally documented approved ICT Policy, IT continuity plan and a disaster recovery plan. This indicated weaknesses in internal controls of the systems that the Enterprise uses.
683. In the circumstances, the entity is at risk of loss of data in an event of a disaster and the IT controls are weak.

Management Response

684. The policy documents are still under internal review and will be presented to the Board for approval on 26th February 2026. Once approved, they will serve as the foundation for guiding ICT operations, ensuring business continuity, and mitigating risks associated with system disruptions. Specifically, Management had instituted the following controls:
- i. **Access controls:** Role-based access to ERP systems, with periodic user access reviews and immediate revocation of rights upon staff exit.
 - ii. **Data backup and recovery:** Automated daily backups conducted multiple times per day, stored securely on cloud infrastructure to ensure data availability and resilience.
 - iii. **System monitoring:** Continuous monitoring of system activity to detect and prevent unauthorized access.
 - iv. **Credential management:** Regular updating and enforcement of strong authentication controls.
 - v. **Cybersecurity safeguards:** Deployment of antivirus solutions, firewalls, and restrictions on external devices to mitigate cyber risks.

Committee Observations

685. The Committee observed that Management has a draft policy document awaiting board approval.

Committee Recommendations

686. The Committee recommends that Management to ensure that the policy is approved by the Board within one (1) month of adoption of this report by the House. Further, the Auditor to confirm the implementation of this directive in the subsequent audit for FY 2025/26.

8.4.10 Lack of Board Evaluation

687. During the year under review, it was noted that the entity did not conduct a board evaluation which is necessary for evaluating the performance of the individual board members and the committees of the board. This is contrary to the Mwongozo Code of Governance for State Corporations, 2015 which recognizes the importance of appointment of professional boards with defined skillset, to undertake board induction and evaluation and require regular performance reports. Further, that the performance of the board, its committees and individual directors be evaluated annually.
688. In the circumstances, the effectiveness and performance of board members could not be confirmed.

Management Response

689. Although the Board evaluation was planned, it could not be conducted during the year under review due to budgetary constraints.
690. Nevertheless, the Company has prioritized the evaluation exercise in the current financial year. Arrangements are underway to engage an independent facilitator to undertake a full evaluation within this financial year, ensuring compliance with the Mwongozo Code of Governance, and strengthening governance and oversight practices.

Committee Observations

691. The Committee observed that no board evaluation exercise was undertaken.

Committee Recommendations

692. The Committee recommends that the Management engage an independent facilitator to undertake a full evaluation within three (3) months of adoption of this report by the House. The Auditor to confirm this in the next audit cycle for FY 2025/26.

9.0 EGERTON UNIVERSITY

693. Prof. Isaac O. Kibwage, PhD, HSC, Vice Chancellor, accompanied by: -

- i) Prof. George M. Muthai-DVC
- ii) Charles Wanjohi-Finance Officer
- iii) Leonard Chesang-Deputy Registrar
- iv) Dr. Moses Thiga – ICT Officer

Appeared before the Committee to adduce evidence on the audited accounts of Egerton University, on 12th March, 2026.

9.1 Audited Statements for Financial Year 2024/25 (Qualified Opinion)

9.1.1 Irregular Payment of Security Expenses

694. The statement of financial performance reflects an amount of Kshs.510,759,889 in relation to administrative and central services which as disclosed in Note 16 to the financial statements includes an amount of Kshs.42,658,338 which was incurred on contracted security services. However, review of records revealed expenditure of Kshs.4,450,109 was irregularly paid directly to police officers deployed to the Institution and therefore contravening Section 104(3) of the National Police Service Act, 2011.
695. Further, Management did not provide deployment letters for the officers, the officers' personal numbers, the approved daily or monthly payment rates, approval of the Inspector-General of Police and the contract agreement with the National Police Service.
696. In the circumstances, the accuracy, completeness and regularity of the security expenses amounting to Kshs.4,450,109 for the period could not be confirmed.

Management Response

697. The enhancement of security was prompted by the government directive to enhance security in all critical government infrastructures including public universities. This followed Garissa University attack. Therefore, the police officers at Egerton University are deployed by government without charge to guard the university and not for private use.
698. The provision of security from the National Police Services does not attract payment but the University by the letter deploying the officers is obligated to give a lunch allowance to the deployed officer
699. The payment schedules which are always attached to the payment vouchers has details for each police officer which include their names, personal numbers, and approved rate payable.

Committee Observations

700. The committee observed that the requisite details were provided and the matter is therefore resolved.

9.1.2 Unsupported Fuel, Oil and Lubricants Expenditure

701. The statement of financial performance and Note 17 to the financial statement reflect an amount of Kshs.68,014,326 in respect of expenditure incurred on repairs and

maintenance. Included in the balance is an amount of Kshs.20,937,965 which was incurred on motor-vehicle fuel, oil and lubricants. However, the fuel register provided for audit was incomplete and as a result it was not possible to reconcile the fuel expenditure reported against detailed fuel orders.

702. In the circumstances, the accuracy and completeness of the fuel, oil and lubricants amount of Kshs.20,937,965 for the period ending 30 June, 2025 could not be confirmed.

Management Response

703. The management acknowledges the fuel register provided was not in the format desirable by the auditors. Existing gaps in the reporting format has been identified by the university management. The reported Ksh.20,937,965 is now reconciled as per the corrected fuel register. To enhance transparency in fuel consumption, the management has adopted the use of fuel cards issued by VIVO Energy. The university management is implementing a fleet management module in the ERP system that will further enhance fuel control and record keeping.

Committee Observations

704. The committee observed that management has provided the reconciliation between fuel register and the amount of fuel consumed at VIVO Energy petrol stations and the matter is therefore resolved.

9.1.3 Unconfirmed Academic Departments Expenses

705. The statement of financial performance and Note 1 8 to the financial statements reflect an expenditure of Kshs.173,455,492 in respect of academic department expenses. Included in the balance is teaching claims (part-time lecturers) amount of Kshs.44,985,860 which relates to payments made to part-time lecturers for teaching services rendered in prior academic years, dating back to financial year 2018/2019.
706. Review of the documents provided in support revealed that no formal records or ledgers were maintained for tracking part-time lecturer engagements and claims. Further, Management did not provide an explanation for the late recognition of the expenses which related to prior academic years.
707. In the circumstances, the accuracy, completeness and validity of the teaching claims (part-time lecturers) amount of Kshs.44,985,860 for the period ending 30 June, 2025 could not be confirmed.

Management Response

708. The university has been tracking part-time lecturer engagements and claims manually through the departmental payment schedules as well as appointment letters. Once the finance department prepares the payment vouchers, they are maintained in the general ledger in the ERP. The management is in the process of automating this process through the development of Part-timers lecturers' module in the ERP.
709. Egerton University several documents to track part-time lecturers.
710. Teaching claims are normally made after the teaching period has ended and all processes have been completed. In order to make sure that expenditures are recognized in the period they occurred, and in consideration of the fact that the process has not yet been incorporated in the system, estimates for the costs for the period are made and accrued and when the actual claims are received, they are paid against the accrued amount. Therefore, the issue of late recognition of the expenses relating to prior academic years does not arise.

Committee Observations

711. The Committee observed that documents to demonstrate the tracking of part-time lecturers have been provided. However, the process is largely manually done and has not been integrated with the ERP system.

Committee Recommendations

712. The Committee recommends that, within three (3) months of adoption of this report by the House Management, to ensure that the ERP system is fully implemented to reduce errors associated with the manual processes.

9.1.4 Failure to Undertake Valuation Fully Depreciated Assets

713. The statement of financial position reflects a balance of Kshs.3,858,81,162 in respect of property, plant and equipment. However, review of Note 30 (a) to the financial statements revealed that several categories of assets with a total historical cost of Kshs.1,663,304,470 were fully depreciated as at 30 June, 2025 as detailed in the table below: -

Details of Assets	Historical Cost Kshs
Buildings	40,010,699

Dairy Equipment/Plant/Tractors	80,047,061
Furniture	173,994,801
Fittings	595,531,300
Other Equipment	171,141,900
Libra Books	190,217,981
Motor Vehicles	412,360,629
Total	1,663,304,371

714. Further, it was observed that the assets are still in use and as such the University continues to derive economic benefits from them and incurring costs such as fuel, repairs and maintenance. Management has not given a satisfactory reason as to why these assets have not been revalued to reflect their fair values in the financial statements.
715. In the circumstances, the accuracy, completeness and existence of the property, plant, and equipment balance of Kshs.1,663,304,470 as at 30 June, 2025 could not be confirmed.

Management Response

716. The University is in the process of valuing all its assets including land, buildings, motor vehicles and equipment. This exercise has been scheduled and implemented subject to availability of budget.
717. The management has engaged the government valuers from the Ministry of Lands, Public Works, Housing, and Urban Development on the valuation of land and buildings. The valuation reports have been submitted to the University and are awaiting discussions by the Council which will be updated in the financial statements once adopted and approved by the University Council.

Committee Observations

718. The Committee observed that Management has made efforts to have the land and building assets. However, the valuation report has not been concluded and therefore not approved.
719. The other assets have not been revalued to date.

Committee Recommendations

720. The Committee recommends that within three (3) months of adoption of this report by the House, Management should conclude the revaluation process of the assets and the OAG reports on this in the next audit cycle.

9.1.5 Long Outstanding Bank Reconciliation Items

721. The statement of financial position and Note 26 (c) to the financial statements reflect negative bank (Overdrawn Cash Book) balance of Kshs.6,715,090. Further, review of the bank reconciliation statement for June, 2025 revealed that the negative balance resulted from receipts in the bank but not recorded in the cashbook which had already been utilized. In addition, the bank reconciliation statement reflects long outstanding unreconciled items some dating back to the year 2012 which had not been investigated or cleared. The continued presence of such items is in contravention to Regulation 90(3) of the Public Finance Management (National Government) Regulations 2015.

722. In the circumstances, the accuracy and completeness of the negative bank (overdrawn cash book) balances of Kshs.6,715,090 as at 30 June, 2025 could not be confirmed.

Management Response

723. Management has initiated investigation and clearance of all unreconciled items in the bank reconciliation statements. Management has implemented strong controls to ensure all bank transactions are accurately reflected in the cash book on a timely basis. The University management has migrated fees collection and other services to E-citizen platform thus eliminating payment of fees without adequate details.

724. Mitigation initiatives to eliminate any future occurrences includes, regular capacity building of staff to improve oversight and management. The University has ensured compliance with the Regulation in regard to monthly bank reconciliations and submission to the Auditor General and The National Treasury as per paragraph 90(1) of the PFM Regulations, 2015.

Committee Observations

725. The Committee observed that, the Matter has been outstanding for very long periods since 2012 which is in contravention to Regulation 90(3) of the Public Finance Management (National Government) Regulations 2015.

Committee Recommendations

726. The Committee recommends that within one (1) month of the adoption of this report by the House, Management ensures that the reconciliation is done for the unreconciled items that have been outstanding since 2012. Further, the Auditor to report on the implementation of this matter in the next audit cycle.

9.1.6 Trade and Other Payables

9.1.6.1 Unsupported Payables and Unallocated Refundable Deposits

727. The statement of financial position reflects a balance of Kshs.9,033,291,650 which relates to trade and other payables as disclosed in Note 32 (a) to the financial statements.

Review of records revealed the following anomalies:

(i) The balance of Kshs.9,033,291,650 includes student repayments amounting to Kshs.447,921,420 due to various students, which further includes an amount of Kshs.207,684,419 which has been outstanding for over six (6) years. Management has not provided an explanation or plan for resolving the long outstanding balances.

728. Further, the balance of Kshs.9,033,291,650 includes an amount of Kshs.11,996,198 in respect of National Government Constituencies Development Fund Bursary (NGCDF) clearing account. The balance represents unallocated bursary funds which had not been identified or communicated back to the respective constituencies. No reason was provided by Management for the failure to allocate the bursary funds to the respective students sponsored by the constituencies.

729. In addition, the balance of Kshs.9,033,291,650 includes an amount of Kshs.27,248,675 in respect of Higher Education Loans Board (HELB) clearing account. The balance relates to unallocated Board's funds received but which had not been assigned to any specific students and had no follow-up communication. Similarly, Management did not provide any explanation for the failure to allocated the Board funds to the respective beneficiary students.

730. The balance of Kshs.9,033,291,650 includes amounts of Kshs.123,283,090 in respect of students caution money, other sponsors account and unidentified bank deposits — main respectively. The balances relate to student caution money which remain unrefunded, sponsors unallocated to beneficiary students and unallocated direct fees

deposits respectively. Management did not provide any explanation for the failure to allocate funds and the non-refund of student caution money or evidence of follow-up.

Management Response

731. Management submitted that students deferring their studies and they continue paying and getting funding from their sponsors. Students and sponsors pay their fees in advance to cater for other semesters the student is yet to register. Students graduating with over-payments in their accounts and not clearing on time.
732. The unallocated CDF amount of Kshs.11,996,198 is due to some CDF funds doing direct deposits into our bank account without providing beneficiary details, incorrect student details resulting to holding the funds in a liability account. This is usually allocated to the students' fee accounts once the supporting schedules and or other details are provided. This is an ongoing and continuous process.
733. The amount of Kshs.27,248,675 from HELB remains unallocated because the list of beneficiaries provided by HELB contained incorrect student details, misdirected funds or lack of support schedules in the HELB portal. Once the corrected and or missing schedules are provided by HELB, the funds are allocated to the benefiting students accounts. The misdirected funds and excess funds to the excess students are refunded back to HELB.
734. The Kshs.123,283,090 reported under Caution money payable account relates to caution money funds held for all the continuing students. This amount is refundable once the students graduate and clear from the University. This is a continuous process.
735. The Kshs.28,908,351 balance reported under the Other Sponsors Payable accounts relates to funds received from various sponsors of the students. The reported is due to sponsors doing direct deposits into our bank account without providing beneficiary details, incorrect student details resulting to holding the funds in a liability account. This is usually allocated to the students' fee accounts once the supporting schedules and or other details are provided. This is an ongoing and continuous process.

Committee Observations

736. The Committee observed that the balances remain outstanding and unallocated.

Committee Recommendations

737. The Committee recommends that, within three (3) months of adoption of this report by the House, management ensures that the long outstanding payables are settled and unallocated balances charged to the respective beneficiaries.

9.1.7 Unsupported Payables and Unallocated Refundable Deposits

738. The trade and other payables balance of Kshs.9,033,291,650 includes an amount of Kshs.7,886,705,459 or 87% of total payables which relates to outstanding payroll payables. The balance has been outstanding for long with some amounts owed to staff of the University for the financial year 2023/2024 and earlier years.

739. Although Management has expressed the University's commitment to paying staff salaries in full and remitting statutory deductions as required by law, it was observed that there was an increase of Kshs.301,877,891 in the payroll payables during the year from the previous year's balance of Kshs.7,584,827,568. The continued growth indicates accumulating unpaid staff salaries and unremitted statutory deductions, raising concerns about the University's ability to meet its payroll obligations.

740. Management has not explained or disclosed in the form of notes to the financial statements how the University intends to pay out the remaining salary arrears owed to its current and past employees.

741. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.7,886,705,459 as at 30 June, 2025 could not be confirmed.

Management Response

742. During the year under review (FY 2024/2025), the university has been striving to pay the staff salary at 100% and remitting all the statutory deductions as required. University has however experienced challenges in remitting PAYE deduction in full, necessitating a negotiation with KRA on partial payments at a level the university can manage.

743. The accumulation of additional pending bills of Kshs.301,877,891 was occasioned by delay in disbursement of funds from HELB (Ksh 318 million) and University Fund (Ksh 357 million) which has affected the cashflow to date. The management is committed to settle these bills once these funds are received.

744. The university management submitted all the pending bills up to June 2022 to the Pending Bills Verification Committee in January 2024 with a possibility of bail out by the government

Committee Observations

745. The Committee observed that, the payroll payables are still pending.

Committee Recommendations

746. The Committee recommends that within three (3) months of adoption of this report by the House management, measures be put in place to ensure that the payroll payables, including statutory deductions, have been paid as required. The OAG to report on the progress of this matter in the next audit cycle.

9.1.8 Material Uncertainty Related to Going Concern

747. The statement of financial position reflects current assets balance of Kshs.3,232,162,164 and current liabilities balance of Kshs.10,164,042,149 resulting to a negative working capital of Kshs.6,931,879,985. Though the University made a surplus of Kshs.461,599,075 during the year in comparison to deficit of Kshs.18,729,138 in the prior year, the accumulated deficit balance amounted to Kshs.7,010,770,454 for the current financial year. The University is therefore, technically insolvent and its ability to continue to sustain its services is dependent upon support from the National Government and its creditors.

748. Management did not disclose this fact in its financial report. The statement of University Council's responsibility in the financial statements states that nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve (12) months from the date of the statement

749. In the circumstances, the University may be unable to meet its short-term liabilities as and when they fall due.

Management Response

750. This situation is as a result of effects of GOK under-funding and reduction in Appropriation in Aid over the years.

751. The financial challenges faced by the university have been caused by reduction in government capitation since 2016, drastic reduction in enrolment in self-sponsored programs which generated extra income to the university. Also, salary increments due to Collective Bargaining Agreement awards led to accruing deficits.

752. In order to sustain the university and ensure it continues delivering its mandate, the university management has instituted austerity measures through introduction of a

number of cost reduction and expenditure management strategies as well as measures geared towards improved income generations.

753. From the financial year 2019/2020 to the present, the university has taken aggressive steps to deal with this situation by instituting strict austerity measures which have resulted in annual savings in excess of Kshs.100 million.

Committee Observations

754. The Committee observed that, the management response agrees with the auditing findings. IAS requires this disclosure to be done in form of a note to the financial statements and emphasis on disclosure.
755. The lack of disclosure of material uncertainty related to going concern further compounds the risk, as stakeholders may not have a clear picture of the financial health of the institution.

Committee Recommendations

756. The Committee recommends that Management should, within 60 days, prepare and submit a formal Going-Concern Recovery Plan that includes specific cost-cutting measures, revenue enhancement strategies, debt restructuring actions, and clear implementation timelines. In addition, Management must consistently disclose any material going concern uncertainties in the notes to the financial statements in compliance with IPSAS 1. To ensure sustainability, the Ministry of Education and National Treasury should jointly conduct a financial sustainability assessment and provide policy guidance to support the University's recovery.

9.1.9 Contingent Liabilities

757. Note 35 to the financial statements reflects contingent liabilities related to nine (9) legal disputes with various individuals, Companies and a workers union amounting to Kshs.82,343,400. Although Management has made the disclosure of the contingent liabilities in the financial statements, the University has not indicated how it has prepared itself in the event of crystallization of the liability. The University may have a significant cash outflow should the disputes be determined in favor of the claimants.

Management Response

758. Management submitted that to manage the cash outflow arising from legal disputes, the management has been negotiating affordable and favourable payment plans whenever they crystalize.

Committee Observations

759. The Committee observed that, negotiating affordable and favourable payments is a step in the right direction, but it isn't sufficient since in case of a huge outflow and hard-to-negotiate instances, it would be vulnerable.

Committee Recommendations

760. The Committee recommends that within three (3) months of adoption of this report by the House, Management ensures that the contingent liabilities are properly covered in the occasion that they crystallize as required by IPSAS 19.

9.1.10 Loss Making Income Generating Units

761. The statement of financial performance and Note 13(a) reflect income generating units (IGUs) income of Kshs.141,666,147. However, review of records revealed that several IGUs recorded significant operating losses, as detailed in the table below:

IGU	Income (Kshs)-A	Expenditure (Kshs)-B	Deficit (Kshs)-A-B
Catering	18,020,695.00	22,291,334.00	(4,270,639.00)
Dairy Income	916,539.00	5,439,596.00	(4,523,057.00)
TAP Income	2,755,049.00	3,063,658.00	(308,609.00)
Minimart	-	46,806.00	(46,806.00)
Ken atta Cam us	685,111.00	1,449,495.00	(764,384.00)
Total Deficit			(9,913,495.00)

762. Despite the repeated losses by the IGUs over the years, Management did not provide a turnaround strategy or control mechanisms to prevent further deterioration.

763. In the circumstances, the sustainability of the operations of the income generating units in the long run, is doubtful.

Management Response

764. All IGUs are finalizing revision of their business plans for 2025/26 FY with 3 year projection. Training on E-Government procurement is on-going to improve efficiency and effectiveness of the procurement process. Council has directed budgetary provision for marketing of all IGUs. TAP has a turn around and business re-engineering plan. This will be expanded to other IGUs. From the beginning of FY 2025/26 all IGUs are issued with profit and loss statements on monthly basis as part of monitoring performance. All IGUs are being on boarded to the ERP system in order to improve book keeping and data collect on a near real-time basis for decision making. To improve the catering department, the university Council is looking for other options such as outsourcing of the catering services. This exercise has commenced with bench marking visits in various public and private universities in Kenya.

Committee Observations

765. The Committee observed that, the IGUs made losses during the year, and Management has explained the strategies that the University will use to reverse the trend. Moreover, it does not make sense for the University to continue running loss-making IGUs

Committee Recommendations

766. The Committee recommends that Management puts in place interventions that will ensure that the loss-making IGUs become profitable in the near future within three (3) months of adoption of this report by the House. The Auditor to report the progress made in the next audit cycle.

9.1.11 Unresolved Prior Year Matters

767. In the audit report of the previous year, some issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2025 as detailed out at Appendix I.

Management Response

768. The Public Investments Committee on Education & Governance on 3rd September 2025 had an inspection visit to the University, where examination of the reports of the Auditor General for the financial statements of the University for the FYs 2018/2019 to 2023/2024 was done. Most of the issues were resolved during the examination. Management is awaiting the final report from Public Investments Committee on Education & Governance so that the remaining issues can be addressed as directed by the PIC.

Committee Observations

769. The Committee observed that the issues pending are covered in a recently tabled report for Egerton¹ and reiterates the recommendations issued in that report. The Auditor to report on the progress made by Egerton to address the issues in the next audit cycle.

9.1.12 Increase in Wages and Irregular Engagement of Casual Staff Employee Costs

770. Note 14 to the financial statements indicates that the University incurred an amount of Kshs.21,758,705 in relation to casual labor wages. This was an increase of Kshs.11,783,533 from Kshs.9,975,172 incurred in the previous year. Management has not explained the course of the huge increase. Further, review of records provided for audit revealed that eighty-seven (87) casual employees were engaged for periods exceeding three (3) months with some for up to twelve (12) months without proper conversion to term contracts. This was contrary to Section 37 (1) of the Employment Act, 2007 which states that states that a casual employee who works continuously for at least one month, or performs work not reasonably expected to be completed in less than three months, shall be deemed to have a contract of service with monthly wages under Section 35(1)(c).

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

Management Response

772. During the year under review, there was increase in demand for the services of casual labourers as occasioned by increase in estates activities of planting and growing trees, repair works as well as income generating activities as a stop gap shortage in staff.

¹ Tenth Report of the Public Investments Committee on Governance and Education on examination of Audited Financial Statements of Egerton University

773. The University engage casual labourers mainly in Income Generating activities such as farming units where casual laborers are engaged on need basis and the engagement based on daily rates and number of days worked and not on monthly basis.

Committee Observations

774. The Committee observed that, the explanation on the increase of wages is sufficient.

775. The casual workers were engaged for more than 3 months continuously, contrary to the law.

Committee Recommendations

776. The Committee recommends that within three (3) months of adoption of this report by the House, Management puts in place measures to ensure that the casual workers are engaged within the provisions of the law (Section 37 (1) of the Employment Act, 2007).

9.1.13 Officers in Acting Capacity Beyond the Stipulated Period

777. The statement of financial performance reflects staff costs amounting to Kshs.3,006,633,761 as disclosed in Note 14 to the financial statements. The balance includes acting allowances amount of Kshs.2,126,175 which was paid in respect of staff personnel remunerations for officers in various acting positions. Review of payroll records for key management personnel revealed that a total of five (5) officers had been paid acting allowances during the financial year.

778. Further, review of the employees' personal files revealed that two (2) of the officers have been serving in acting capacity for more than six (6) months. There was no evidence provided to indicate that management had plans for recruitment for these positions or confirming officers who have been holding the positions. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

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

Management Response

780. The post of Deputy Vice Chancellor (Administration, Finance & Planning) has been advertised twice by Public Service Commission. The first time it was nonresponsive and was re-advertised in July, 2025 and interviews conducted and a substantive DVC AF&P

appointed in January 2026. The position has substantively been filled after a competitive recruitment process.

781. The position of the Registrar (HCA) was advertised in October, 2024. However, it was nonresponsive. Currently a staff who is a Deputy Registrar (HCA) is performing the duties of the Registrar Human Capital and Administration. The position has been re-advertised and awaits recruitment.

Committee Observations

782. The Committee observed that, the position of DVC (Administration, Finance and Planning) was filled in January, 2026. However, the position of Registrar (Human Capital and Administration) is yet to be filled and has been re-advertised and awaits recruitment.

Committee Recommendations

783. The Committee recommends that within six (6) months of adoption of this report, Management to substantially fill the vacant position(s). The Auditor to report on this in the next audit cycle.

9.1.14 Non-Compliance with Wheat Production Agreement

784. Review of the University's implementation of the wheat production agreement entered into with Kenya Seed Company Limited for the 2024/2025 season, revealed the following significant deviations:

Agreement Requirement	Actual Performance	Deviation
100 acres of wheat	Only 75 acres utilized	Shortfall of 25 acres
2,000 kgs per acre yield	Only 847 kgs per acre	Achieved 42% of expected yield

785. Although Kshs.2,110,180 was incurred in wheat production, only Kshs.2,292,885 was realized resulting to marginal gain of Kshs.182,705.

786. In the circumstances, the value for money which was to be derived by the University from the wheat production agreement could not be confirmed.

Management Response

787. Management acknowledges the challenges faced during the 2024/2025 the wheat production cycle but emphasizes that no financial loss was incurred, as the 75 acres cultivated enabled the University to break even, while the approximately 25 acres currently under crop are projected to generate net profit. Deliberate steps were taken to protect public resources, including lodging a complaint with the supplier, adjusting planting to favourable weather conditions, and salvaging wheat stocks to avert further loss. The University is committed to strengthening farm operations, contract management, and risk mitigation measures to ensure value for money in future production engagements.

Committee Observations

788. The Committee observed that, the variances observed were significant. Management has indicated that the variances were caused by poor-quality wheat seed supplied by Kenya Seed Company.

Committee Recommendations

789. The Committee recommends that going forward, Management ensures that they only get quality seeds and consider insuring the crops to mitigate any risk of loss.

9.1.15 Stalled Projects

790. The statement of financial position and Note 30 (b) to the financial statements reflect a balance of Kshs.979,629,304 in respect of work-in-progress (WIP). As previously reported, the balance includes an amount of Kshs.435,545,277 in relation to seven (7) stalled projects as a result of the contractors abandoning them due to non-payments. Management has attributed the stalled projects to lack of adequate funding from the Government.

791. In the circumstances, the value for money of the expenditure of Kshs.435,545,277 already incurred on the stalled projects could not be confirmed.

Management Response

792. The projects stalled due to lack of GoK funding. However, every effort is being made to complete these projects within the available financial resources raised internally. Some completed projects include faculty of education complex, physical sciences complex and student hostels. Some works are going on in the agronomy and horticulture building. The university will continue to work towards finishing the remaining stalled projects as funds

become available. For many years, the university has been seeking financial support for capital development but has not received sufficient allocation to adequately support the budget.

Committee Observations

793. The Committee observed that, stalled projects have been a recurring concern from across the 6 FYs in the already tabled report for Egerton University², signaling inefficiencies in project planning, execution, and monitoring. These delays not only result in cost overruns but also hinder the achievement of strategic objectives and service delivery. The lack of timely decision-making and inadequate resource allocation appear to be key contributing factors

Committee Recommendations

794. The Committee recommends that: -

- (i) Special audit taking stock of their values, completion status and the legality to be done for the stalled projects in three (3) months upon adoption of this report by the House and submit a report to the Committee;
- (ii) Management to develop and implement a comprehensive project completion strategy that prioritizes stalled projects based on criticality and available resources. This can be achieved through a formal request of supplementary capital development funding from the National Treasury through the Ministry of Education, accompanied by audit findings and a prioritized project completion plan; and
- (iii) Clear with the pending projects before undertaking any new project.

9.1.16 Irregular Use of University Land by Private Investors

795. As previously reported, review of 196 Special Council meeting minutes held on 29 February, 2024 on the Provision of Land to Enhance National Food Security, revealed that communication was made to the Cabinet Secretary, Ministry of Education through a letter dated 29 February, 2024 indicating that the Council had resolved to avail 2,000 acres of land for maize cultivation to enhance National food security, to the mutual benefit of Egerton University and partners. Resolutions of the

² Tenth Report of the Public Investments Committee on Governance and Education on examination of Audited Financial Statements of Egerton University

796. Council meeting required that a letter be written to the Cabinet Secretary, Ministry of Education requesting for further guidance on the 1,500 acres of the land set aside for National food safety.
797. However, as at the time of audit, in September, 2025, no correspondence from the Cabinet Secretary and or Ministry of Education giving guidance towards the controversial land was provided for audit verification. No evidence of committees having been set up to facilitate management of the asset were provided as required by legislation. Moreover, all acquisitions or assignment of immovable property requires notification to the National or County Treasury in consultation with National Land Commission and or the Ministry responsible for Lands for approval, all which were not provided for audit verification. It was not clear what was the exact acreage of land set aside whether 1,500 or 2,000 acres as per the Council minutes.
798. Available information revealed that the unknown individuals ploughed the land with a total acreage of 1,500 acres, in March, 2024 and August, 2024 and a report was made to the Njoro Police station and OB. No.50/30/09/2024 was issued. In September, 2024, the Vice Chancellor wrote to the Principal Secretary, State Department for Higher Education requesting for Government intervention in security concerns at the land in question. Management did not provide the land lease agreements between the University and the private investor for audit verification.
799. Further, Management explained that the University and a representative of the Company that had irregularly cultivated the land, met in November, 2024 and the Company undertook and agreed to calculate the costs of production for the wheat, yield to be harvested, net profit and sharing of profit after harvest at a ratio of 50:50. However, after the Company harvested the wheat in January, 2025 and did not honor the earlier agreement thereby occasioning a loss to the University which was valued at Kshs.24,189,987 as per the University's records. On 17 January, 2025 and 28 March, 2025, the University wrote to the Ministry of Education seeking intervention since no positive outcome had been realized on the matter. As at the time of the audit in September, 2025 the Ministry had not provided the way forward on the matter and available information indicated that the land had been encroached and irregularly occupied by illegal and armed settlers who could not allow the University to make use of

its land. Management has not provided any report from the security organs including the National Police Service indicating what security measures are being taken to address the illegal occupation of the University's land.

800. In the circumstances, there is a risk of the University losing the parcel of land measuring 1,500 acres to illegal settlers or parties.

Management Response

801. The university has reclaimed its land and secured it with a trench, courtesy of Kenya National Youth Services, to prevent intruders and ensure uninterrupted cultivation. As of February 2026, progress includes: 84 acres of Canora cultivated, over 300 acres ploughed for commercial maize out of the targeted 500 acres to be done using farm tractors, and service providers engaged to plough an additional 700 acres (400 acres for wheat and 300 acres for barley)

Committee Observations

802. The Committee observed that, Management had managed to reclaim its land and secured it with a trench, courtesy of Kenya National Youth Services, to prevent intruders and ensure uninterrupted cultivation. Therefore, the Committee is satisfied that the issue has been adequately addressed.

9.1.17 Long Outstanding Receivables from Exchange Transactions

803. The statement of financial position and Note 27(a) and (b) to the financial statements reflect receivables from exchange transactions balance of **Kshs.1,715,067,509**. Review of records revealed the following anomalies:
804. **(i). Management of Imprests:** The balance of Kshs.1,715,067,509 includes unsurrendered imprests amounting to Kshs.55,077,580 as at 30 June, 2025 and which had not recovered from the salaries of the respective officers or interest levied on the unsurrendered amounts. This was contrary to Regulation 93 (5) and (6) of the Public Finance Management (National Government) Regulations, 2015. Further, there were incomplete imprests registers which were missing critical details such as due dates for surrender.
805. Included in the outstanding imprests balance of Kshs.55,077,580 are imprests due from inactive staff or staff who have left the University amounting to Kshs.7,514,951 with

some dating as far back as the year 1994. Management has not provided any evidence of action taken to recover the debts in full or to write off the long outstanding debts.

806. **(ii). Long Outstanding Student Debtors:** The receivables balance of Kshs.1,715,067,509 includes student debtors totalling Kshs.1,667,011,295 or 97% of the total receivables. Review of the ageing analysis of the student debtors revealed that an amount of Kshs.417,606,352 represents debtors which are under one (1) year or current while an amount of Kshs.1,247,345,162 represents long outstanding student debtors. Further, included in the balance of Kshs.1,247,345,162 is an amount of Kshs.797,687,552 which is owed for over five (5) years and a balance of Kshs.331,851,510 which is owed by students who have left the University. Management has not provided any explanations for failure to recover the old debts thereby casting doubt on their recoverability or collectability.
807. **(iii). Long Outstanding General and Internal Debtors:** Further, the receivables balance of Kshs.1,715,067,509 includes amounts of Kshs.6,349,611 and Kshs.11,078,586 in respect of general and internal debtors respectively all totalling to Kshs.17,428,197. Review of records revealed that the balance includes an amount of Kshs.14,845,805 or 85% of general and internal receivables, had been outstanding for more than ninety (90) days. Management has not provided any explanation for the failure to collect the debts or the measures taken by the University to ensure that the debts are collected in full. Further, the provision of Kshs.42,446,117 made for bad and doubtful debts seems inadequate.
808. In the circumstances, the recoverability of the receivables from exchange transactions balance of Kshs.1,715,067,509 as at 30 June, 2025 could not confirmed.

Management Response

809. The university continues to adhere to the Public Finance Management Regulations, 2015 and the Egerton University Financial rules and Regulations that guide on the management of imprests. During the year under review, the university recovered overdue imprest with interest from staff salaries as shown in Annex 10c. Note 13b (10) of the financial statement indicate that the university earned Kshs. 1,053,648 and Kshs. 145,147, respectively, in the past two financial years from interest charged on overdue imprests recovered. The reduction of interest charged from Kshs. 1,053,648 in the year 2024 to

Kshs. 145,147 in the year 2025 is also a positive indication that staff are surrendering imprests on time not to suffer recovery and interest charges.

810. A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far, the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council that has recommended a write off (Annex 11)
811. The management noted the concerns of the accumulation of student debtors and has put measures to ensure that only those students that have cleared fees continue to enjoy the university's services.
812. The university management is making effort to collect the outstanding debtors as per the attached receipts which were collected after the end of year. Further the university through legal means is following on the other debtors. The university has been proactively clearing old internal debtors and current ones by making sure no commitments are done without budget lines and payments done within the time limits set by university debt policy.

Committee Observations

813. The Committee observed that, the matter is not sufficiently addressed

Committee Recommendations

814. The Committee recommends that follows up on individual students to recover the amounts and to use legal means to recover the long outstanding debts

10.0 TOM MBOYA UNIVERSITY

815. Mr. Charles Ochola, the Vice Chancellor, accompanied by;

- i. Monica Ogolla – Head of Procurement
- ii. Julius Otieno- Head of Finance
- iii. Wambas Washingtone -Head of Administration/HR
- iv. Abel Geke- Head of Internal Audit
- v. Edward Ochieng- Senior Assistant

Appeared before the Committee to adduce evidence on the audited accounts of Tom Mboya University

10.1 Audited statements for Financial Year 2021/2022 (Unmodified Opinion)

10.1.1 of the Administration and Lecture Theatres Block

816. The statement of financial position reflects property, plant and equipment balance of **Kshs.1,056,347,691** which as disclosed in Note 17 to the financial statements includes additions to work in progress totaling **Kshs.242,820,869** out of which **Kshs.216,346,290** was incurred in respect of a contract for construction of Phased administration and lecture halls blocks. The University College entered into a contract with a local company on 15th June, 2020 at a contract sum of **Kshs.968,664,196** which was later varied to **Kshs.984,655,986** due to change in Value Added Tax (VAT) rate.
817. The contract period was set at 156 weeks with a completion date of 21st September 2023. A total of **Kshs.313,536,986** had been certified and paid as at 30th June 2022. The percentage completion at the time was 31.8% with 52.6 % of the period having elapsed. The University College had requested a total of Kshs. 550,000,000 from the National Treasury in the financial years 2020/2021 and 2021/2022 but only a total of **Kshs.145,160,971** had been approved and disbursed. As a result of the above, the University College had continued to strain in funding the project by reallocating funds from its recurrent expenditure.
818. In the circumstances, the completion of the project on time may not be achieved.

Management Response

819. The National Treasury through State Department for Higher Education and Research has so far disbursed Kshs.233,341,619 as at 31st December 2025 out of the Completed and Certified of Kshs.895,387,894 resulting in deficit of Kshs.662,046,275. The Principal Secretary, National treasury and Principal Secretary, State Department for higher Education gave written confirmations to prioritize funding the project. and to date the University has not received the funds. However, the Contractor completed and handed over the project on 28th March 2025.

Committee Observations.

820. The Committee observed that underfunding of the university was a matter that was cross-cutting other universities. The capitation provided was inadequate and the universities had limited diversification options.

Committee Recommendations

821. The Committee recommends that the Ministry of Education and National Treasury should disburse capitation on time to Institutions without any undue delay.

10.1.2 Employee Costs

822. The statement of financial performance reflects employee costs amount of Kshs.207,796,375. However, the following unsatisfactory matters were noted:

10.1.2.1 Non-Adherence to Regulations on Acting Appointment

823. Audit examination of personnel records revealed that the position of Finance Officer and Head of Finance Department had been held by an officer on an acting capacity for more than four (4) years with effect from 1 January, 2018. This was contrary to Paragraph 3.4.4 (b) of the Human Resource Policy and Procedures Manual for Tom Mboya University College, which provides that the acting appointments period shall not exceed six (6) consecutive months.

824. In the circumstances, Management was in breach of the policy.

Management Response

825. Management submitted that the extended acting arrangement resulted from budgetary and establishment constraints, which limited the University's ability to substantively fill vacant positions during the affected period. However, the arrangement was maintained to ensure continuity of financial management and compliance with statutory and fiduciary obligations.

826. Following a staff establishment and budget review undertaken in FY 2022/2023, the officer serving in an acting capacity was reviewed and substantively appointed as Deputy Director of Finance and Head of the Finance Department with effect from 2nd August, 2023, in accordance with approved procedures.

827. Management has since instituted measures to ensure strict compliance with policy provisions on acting appointments, including timely establishment reviews and alignment of recruitment plans with approved budgets.

828. Management considers the matter fully addressed and closed and put in place measures to ensure future compliance.

Committee Observation

829. The Committee observed that the officer has since been substantively appointed and the matter is adequately addressed.

10.1.3 Engagement of Casuals Beyond Allowed Limit

830. Review of the University College's records relating to casuals for the month of June, 2022 revealed that sixty-one (61) casuals were engaged at various times during the year under review. However, thirty-seven (37) of the casuals were engaged continuously for twelve months contrary to Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual for Tom Mboya University College, which stipulates that casual employees shall be engaged for a continuous period of not more than three (3) months and shall be paid by the end of each working day or any other agreed period not exceeding one (1) month.
831. In the circumstances, Management was in breach of the policy.

Management Response

832. The casual employees cited in the audit mainly comprised General Labourers who were in place at the time of establishment of the University College, serving at the Homa-Bay Agricultural Training Centre (ATC), where the University is currently located. Their engagement was guided by Section 16(1) of the Legal Notice on the transition of staff, which allowed for continuity of essential support services during the transition period.
833. In compliance with Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual, the General Labourers were engaged on renewable three (3) month casual terms, with breaks between semesters, and payment made within the approved payroll cycles. Renewal of engagement was subject to performance evaluations conducted every three (3) months by the respective supervisors and based on operational needs.
834. The continuous engagement arose due to the reorganization of the 2021/2022 Academic Calendar, which introduced three (3) semesters instead of the normal two (2) as a mitigation measure for disruptions caused by the COVID-19 pandemic in preceding years. This
835. necessitated continuous provision of essential services, including cleaning, landscaping and general maintenance, to support uninterrupted academic operations.
836. To prevent recurrence, Management has since strengthened controls by: Aligning casual engagements to approved academic calendars; Enhancing workforce planning to minimize prolonged reliance on casual labour; and Ensuring closer monitoring of casual engagement periods in line with policy provisions.

Committee Observation

837. The Committee observed that the management stopped engaging casuals beyond the allowed limit from the 2023/ 2024 financial year and the matter is adequately addressed

10.1.4 Noncompliance with Law on Ethnic Composition

838. Analysis of the personnel records for the month of June, 2022 revealed that the University College had a workforce of ninety (90) employees out of which, fifty-nine (59) were from the same community. This represents 65.6% of the total workforce, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall represent the diversity of the people of Kenya in the employment of staff, and that, no public establishment shall have more than one third (33%) of its staff from the same ethnic community.

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

Management response:

840. The ethnic imbalance arose largely from historical staffing arrangements at the time of establishment of the University, during which the institution inherited a workforce that was not ethnically diverse, particularly within the support staff cadre. This situation was further influenced by the University's location, where high uptake of lower-cadre positions by the local community was experienced. Notwithstanding the above, Management has progressively implemented measures to enhance compliance with the Act.

841. These measures include: Advertising vacant positions nationally through platforms with wide outreach to ensure equal opportunity for applicants from diverse ethnic backgrounds; Integrating diversity considerations into recruitment and selection processes, in line with applicable laws and regulations; and Monitoring ethnic composition during recruitment to progressively address imbalances.

842. As a result of these interventions, the University has recorded notable improvement in ethnic diversity, particularly within the academic staff and middle-level administrative cadres. The remaining imbalance is largely confined to the support staff category, which Management continues to address through gradual staff recruitment.

843. Management remains committed to progressive compliance with the law and will continue to strengthen workforce planning and recruitment controls to ensure full adherence to the ethnic diversity requirements.

Committee observation

844. The committee observed that Management was in breach of Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one-third of its staff from the same ethnic community.

Committee recommendations

845. The Committee recommends that the Accounting Officer should make deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments within 2 years upon adoption of this report. Further, this requirement must be embedded in the institution's HR manual and policies within three months of the adoption of this report.

10.1.5 Excessive Council and Committee Meetings

846. During the year under review, the University College Council held ten (10) Council meetings, while the Finance, Planning and Investment Committee held seven (7) meetings, contrary to Paragraph A2 of the Circular Ref. No OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020 from the Head of Public Service, which stipulates that Board meetings shall be restricted to a minimum of four and capped at a maximum of six for each financial year, and in addition, the same principle shall apply to respective Committees of the Boards.
847. Further, the University College's Council had nine (9) members in accordance with the University Act, 2012. The Council had established four committees namely: Finance Planning and Investment Committee, Academic and Research Committee, Executive and Human Resource Committee and Audit and Risk Management Committee. However, review of the membership of the committees revealed that the Finance Planning and Investment Committee, Executive and Human Resource Committee, and Academic and Research Committee had five (5), four (4) and four (4) members (excluding the Principal) respectively. Further, two (2) Council Members served in three (3) committees.
848. The foregoing was contrary to Paragraph B4. of Circular Ref. No OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020, which stipulates that the number of members to any committee should not be more than one third of the full Board and members can only sit in a maximum of two committees.

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

Management Response

850. The Council Almanac for FY 2021/2022 was prepared in compliance with the provisions of the Universities Act, 2012, the State Corporations Act, and Paragraph A2 of Circular Ref. No. OP/CAB.9/1A dated 11th March, 2020, which guided the scheduling of ordinary Council and Committee meetings. The additional Council and Committee meetings held beyond the prescribed limits were exceptional and necessitated by operational exigencies, specifically the intensive preparations towards the award of the University Charter. These activities required timely approvals, policy decisions, and compliance actions that could not be deferred to the next scheduled ordinary meetings without adversely affecting the Charter process. In accordance with the Circular, requests for authority to convene special Council meetings were formally submitted to the Cabinet Secretary for Education, accompanied by justification, and approvals were duly granted prior to convening the said meetings.
851. The quorum for Board committee meetings is not less than three (3) members (Section 4, Mwongozo Code). The composition of the University Council committees was structured to ensure that quorum requirements are met, enable the conduct of committee business even in the case of absence of a member, and provide flexibility in decision-making where conflicts of interest may arise or unanimous decisions are not possible. The current committee membership aligns with the intent of Guideline B4 of Head of Public Service Circular Ref. No. OP/CAB.9/1A dated 11th March, 2020, which is designed to ensure effective committee functioning while preserving oversight within a full Board framework.
852. On membership, the two representatives from the National Treasury and the Parent Ministry were assigned to three (3) committees in recognition of their oversight responsibilities in enforcing compliance with government policies and regulations. Their involvement in both the Audit and Finance committees is explicitly exempted under paragraph B5 of the Circular. Additionally, paragraph B6 of the Circular provides that such assignments are not subject to rotation. Therefore, their participation in multiple committees is fully compliant with the exemptions and intent outlined in the Circular.

853. Following the audit period, Management has taken corrective measures and reviewed and reconstituted Committee membership to ensure adherence to the one-third rule and limit Council members to a maximum of two Committees.

Committee Observations

854. The committee observed that management provided the Authority from the PS Education for the excess meetings provided as required by Paragraph A3 of the Circular Ref. No OP/CAB.9/1A. The University has since reconstituted the committees to comply with the Circular and therefore, the matter is resolved.

10.1.6 Understaffing of the Internal Audit Department

855. Review of the University College's governance structure revealed that the Internal Audit Department was manned by one (1) officer, contrary to the University College's staff establishment, which requires the Internal Audit Department to have five (5) officers, headed by a Chief Internal Auditor.

Management Response

856. The Department, similar to other operational and academic units, has been experiencing understaffing due to budgetary constraints within the approved University budget. To address this gap, the University initiated the process to recruit an additional Internal Audit staff increasing the number from one (1) to two (2). The Management remains committed to strengthening the Internal Audit function in line with the University's approved staff establishment (Rationalised to three (3) staff), to ensure compliance with good governance practices, enhance internal controls, and support effective oversight in alignment with the Public Finance Management Act and related guidelines.

Committee Observation

857. The committee observed that management had provided evidence of recruiting 1 more auditor and an advertisement was placed for recruiting 1 more auditor.

10.1.7 Enterprise Resource Planning (ERP) System User Accounts

858. The Enterprise Resource Planning (ERP) system used by the University College did not allow the System administrator to grant granular access to users. A user is granted access right to an ERP module after which that particular user is able to execute all the functions within that module. An example is the Finance Module under which there are other functions such as receipting cash, making payments, creating customers, deleting

customers, giving discounts on fees. Anu user with access right to the finance module is able to perform all the functions under it.

859. As a result, the effectiveness and integrity of the University's Information Technology controls could not be confirmed.

Management Response

860. This was an audit issue raised in the financial year 2021/2022 and management has taken corrective measures. Granular, role-based access controls were configured within the ERP system to enforce segregation of duties, ensuring that users were granted access only to functions relevant to their assigned responsibilities
861. User roles and permissions were reviewed and updated accordingly, and management continues to conduct periodic access reviews to maintain the integrity, accuracy, and security of information processed and stored in the system. The system is open for verification to confirm implementation of these corrective measures.

Committee observation

862. The committee observed that Measures taken by Management have been confirmed through physical verification of the system and thus, the matter is resolved.

10.2 Audited statements for Financial Year 2022/2023 (Unmodified Opinion)

10.2.1 Inadequate Funding for Phased Construction of Administration and Lecture Halls Block.

863. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,303,812,172 which as disclosed in Note 18 to the financial statements includes additions to work in progress totaling Kshs.250,112,489 out of which Kshs. 233,897,458 was incurred in respect of a contract for construction of Phased administration and lecture halls blocks. The University College entered into a contract with a local company on 15th June, 2020 at a contract sum of Kshs. 968,664,196 which was later varied to Kshs. 984,655,986 due to change in Value Added Tax (VAT) rate. The contract period was set at 156 weeks with a completion date of 21st September 2023. A total of Kshs. 547,433,446 had been certified and paid as at 30th June 2023. Physical verification of the project on 21st December 2023 revealed that the project was 75% complete 100 % of the period having elapsed. On 11 September 2023 the contract completion date was extended by forty weeks to 27th June, 2024. The University had requested a total of Kshs.

650,000,000 from the National Treasury in the financial years 2020/2021 and 2021/2022 and 2022/2023 but only a total of Kshs.184,591,619 had been approved and disbursed. As a result of the above, the University College had continued to strain in funding the project by reallocating funds from its recurrent expenditure.

864. In the circumstances, the completion of the project on time may not be achieved.

Management Response

865. The National Treasury through State Department for Higher Education and Research has so far disbursed Kshs. 233,341,619 as at 31st December 2025 out of the Completed and Certified of Kshs. 895,387,894 resulting in deficit of Kshs. 662,046,275. The Principal Secretary, National treasury and Principal Secretary, State Department for higher Education gave written confirmations to prioritize funding the project. and to date the University has not received the funds. However, the Contractor completed and handed over the project on 28th March 2025.

Committee Observation

866. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.2.2 Employee Costs

867. The statement of financial performance reflects employee costs amount of Kshs.222,485,541. However, the following unsatisfactory matters were noted:

10.2.2.1 Engagement of Casuals Beyond Allowed Limit

868. Review of the University's records relating to casuals for the month of June, 2023 revealed that forty-six (46) casuals were engaged continuously for twelve months, contrary to Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual for Tom Mboya University, which stipulates that casual employees shall be engaged for a continuous period of not more than three (3) months and shall be paid by the end of each working day or any other agreed period not exceeding one (1) month.

869. In the circumstances, Management was in breach of the policy.

Management Response

870. The University retained General Labourers from the Homa Bay Agricultural Training Centre (ATC), where the University premises are located. This engagement was carried out in accordance with Section 16(1) of the Tom Mboya University College Legal Notice

of April 2016, which governed the transition of staff during the establishment phase of the University.

871. In strict adherence to Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual, these General Labourers were engaged on renewable three (3)-month contracts, with scheduled breaks incorporated between academic semesters. The contracts and engagement periods were structured to ensure compliance with the policy while maintaining operational continuity at the University premises.
872. Management remains committed to full compliance with the University's Human Resource Policy and Procedures Manual, ensuring that casual engagements are strictly within the allowed limits and properly documented.

Committee Observation

873. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.2.3 Non-Compliance with Law on Ethnic Composition

874. Analysis of the personnel records for the month of June, 2023 revealed that the University had a workforce of ninety (91) employees out of which, fifty-nine (59) were from the same ethnic community. This represents 64.8% of the total workforce, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall represent the diversity of the people of Kenya in the employment of staff, and that, no public establishment shall have more than one third (33%) of its staff from the same ethnic community.
875. In the circumstances, Management was in breach of the law.

Management Response

876. The ethnic imbalance arose largely from historical staffing arrangements at the time of establishment of the University, during which the institution inherited a workforce that was not ethnically diverse, particularly within the support staff cadre. This situation was further influenced by the University's location, where high uptake of lower-cadre positions by the local community was experienced. Notwithstanding the above, Management has progressively implemented measures to enhance compliance with the Act.

877. These measures include: Advertising vacant positions nationally through platforms with wide outreach to ensure equal opportunity for applicants from diverse ethnic backgrounds; Integrating diversity considerations into recruitment and selection processes, in line with applicable laws and regulations; and Monitoring ethnic composition during recruitment to progressively address imbalances.
878. As a result of these interventions, the University has recorded notable improvement in ethnic diversity, particularly within the academic staff and middle-level administrative cadres. The remaining imbalance is largely confined to the support staff category, which Management continues to address through gradual staff recruitment.
879. Management remains committed to progressive compliance with the law and will continue to strengthen workforce planning and recruitment controls to ensure full adherence to the ethnic diversity requirements.

Committee Observation

880. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.2.4 Uncompetitive Recruitment of Staff

881. Examination of payroll for the month of June, 2023 revealed that three (3) employees were directly recruited on contract, during the year under review, without going through a competitive process. Their positions were not advertised nor interested candidates invited to apply. In addition, suitability test reports for the officers in respect to their appointed positions were not provided for audit. This was contrary to Section 10(1) of the Public Service Values and Principle Act, 2015 requires the public service, or an authorized officer to ensure public officers are appointed and promoted on the basis of fair competition and merit.

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

Management Response

883. The three (3) staff were appointed on a contractual basis as Tutorial Fellows, having previously served as Part-Time Lecturers within the University's teaching programs. Their prior engagement within the institution as Part-Time Lecturers provided Management with verified evidence of their qualifications, competence and suitability to support continuity in teaching and learning. The contractual appointments were guided by

the immediate operational need arising from a significant increase in student enrollment in the respective programs necessitating the presence of full-time staff to address the students' needs effectively. To ensure continuity of teaching and effective service delivery to students, the contract appointments were made while the recruitment process of Permanent Staff was being planned and implemented.

884. In alignment with Clause 3.4.2 of the University Human Resource Policy and Procedures Manual, provisions exist for interim contractual appointments in cases requiring immediate interventions, pending the completion of regular recruitment processes. The Policy Manual, as approved by the University Council, remained in use pending review as per the Public Service Commission (PSC) Circular Ref. PSC/LEG/009/21/544(27) of 10th February 2022, which references the Employment and Labour Relations Court (ELRC) judgment on Petition No. E161 of 2021, referring to the Employment and Labour Relations Court (ELRC) judgment on petition No. E161 of 2021.
885. Management confirms that all recruitment processes continue to adhere to the principles of fairness, competition, and merit, with vacancies duly advertised.

Committee Observations

886. The committee observed that management's justification for the direct recruitment does not override the requirements of the law.

Committee Recommendations

887. The committee recommends that the Accounting officer should always comply with Section 10(1) of the Public Service Values and Principles Act, 2015, which requires the public service, or an authorized officer to ensure public officers are appointed and promoted on the basis of fair competition and merit.

10.2.5 Over-Commitment of Salaries

888. Review of payroll records for the month of June, 2023 revealed that five (5) officers were earning less than a third of their respective basic salaries, contrary to Section 19(3) of the Employment Act, 2007, which stipulates 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.
889. In the circumstances, Management was in breach of the law.

Management Response

890. The affected staff members' salaries were impacted by statutory deductions, including those mandated under the National Social Security Fund (NSSF) Act, 2013, which, when combined with other authorized deductions, temporarily resulted in net pay falling below the one-third threshold of basic salary during June 2023.
891. Upon identification of this discrepancy, Management took immediate remedial action by advising the affected staff to review and adjust their financial commitments, including loans and advances, to align with the statutory limits.
892. Management confirms that corrective measures were implemented in the months following June 2023, and the salary deductions have since been maintained within the statutory limits. Copies of the subsequent months' pay slips demonstrating compliance are attached for reference.

Committee observation

893. The committee observed that management provided pay slips of the affected officers for subsequent months, showing that the respective net pays comply with 1/3 of basic salaries thus the matter is addressed.

10.2.6 Improperly Constituted University Council Committees

894. The University Council had nine (9) members in accordance with the University Act, 2012. The Council had established four committees namely; Finance Planning and Investment Committee, Academic and Research Committee, Executive and Human Resource Committee and Audit and Risk Management Committee. However, review of the membership of the Council committees revealed that each of the four (4) committees had a total of four (4) members (excluding the Vice Chancellor). Further the two (2) Board members representing The National Treasury and the parent ministry were serving in three (3) committees each. The foregoing was contrary to Guideline B4 of the Head of Public Service Circular Ref. No. OP/CAB.9/1A dated 11 March, 2020, which stipulates that the number of members to any committees shall not be more than one third (1/3) of the full Board and that members can only sit in a maximum of two committees.
895. In the circumstances, Management was in breach of the Head of Public Service directives and guidelines.

Management Response

896. In line with the Mwongozo Code of Governance, the quorum for Board committee meetings is not less than three (3) members (Section 4, Mwongozo Code). The composition of the University Council committees was structured to ensure that quorum requirements are met, enable the conduct of committee business even in the case of absence of a member, and provide flexibility in decision-making where conflicts of interest may arise or unanimous decisions are not possible.
897. The current committee membership aligns with the intent of Guideline B4 of Head of Public Service Circular Ref. No. OP/CAB.9/1A dated 11th March, 2020, which is designed to ensure effective committee functioning while preserving oversight within a full Board framework.
898. The two representatives from the National Treasury and the Parent Ministry were assigned to three (3) committees in recognition of their oversight responsibilities in enforcing compliance with government policies and regulations. Their involvement in both the Audit and Finance committees is explicitly exempted under paragraph B5 of the Circular. Additionally, paragraph B6 of the Circular provides that such assignments are not subject to rotation. Therefore, their participation in multiple committees is fully compliant with the exemptions and intent outlined in the Circular.
899. The University Council committees were constituted to ensure compliance with governance principles, quorum requirements and statutory exemptions.

Committee Observation

900. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.2.7 Excessive Council and Committee Meetings

901. During the year under review, the University Council held twelve (12) Council meetings, while the Executive and Human Resource Committee held nine (9) meetings, resulting in six (6) Council meetings and three (3) Committee meetings that were in excess of the maximum of six (6) meetings each allowed by Guideline A2 of the Circular Ref. No. OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020. However, evidence provided for audit indicates that out of the nine (9) extra meetings, four (4) meeting were not approved by the Cabinet Secretary in consultation with the State

Corporations Advisory Committee (SCAC), two (2) meetings were approved by the Cabinet Secretary without consultation with the SCAC and three (3) meetings were approved by the Principal Secretary. These approvals and non-approvals were contrary to Guideline A3 of the above-mentioned Head of Public Service Circular, which requires that request for any extra board meetings (including special board meetings) above the maximum number specified shall be submitted for approval by the relevant Cabinet Secretary, in consultation with SCAC.

902. In the circumstances, Management was in breach of the Head of Public Service directives and guidelines.

Management Response

903. The Council Almanac for FY 2022/2023 was developed in accordance with the State Corporations Act and Paragraph A2 of Circular Ref. No. OP/CAB.9/1A. The Circular restricts Board and Committee meetings to a minimum of four and a maximum of six per financial year, with provision under Paragraph A3 for approval of any additional meetings.
904. The additional meetings beyond the prescribed limit arose primarily due to the University's transition to a fully-fledged status and the concurrent processes for recruitment and establishment of Top Management positions. These meetings were convened to ensure timely decision-making and continuity of effective governance during the transition period.
905. For meetings deemed necessary beyond the scheduled almanac, requests were submitted to the Cabinet Secretary for Education, accompanied by detailed justifications, in line with Paragraph A3 of the Circular.
906. Management reiterates its commitment to adhering to all statutory provisions and circular guidelines regarding the scheduling of Council and Committee meetings and ensuring that any deviations are fully justified and approved.

Committee Observation

907. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

10.2.8 Lack of an Approved Staff Establishment

908. During the year under review, the University operated without an approved staff establishment. Therefore, the university did not have a mechanism of determining the skills and optimal staffing levels required to achieve its goals and objectives.
909. In the circumstances, it was not possible to ascertain whether the University operated with the optimal number of employees with the required skills and competencies and, therefore, the productivity of the staff could not be confirmed.

Management Response

910. Tom Mboya University attained full university status following the award of its Charter on 2nd August 2022. In accordance with the Transition Clause (Section 35(1)) of the TMU Charter, all existing Tom Mboya University College policies including statutes remained in force during the transition period. Staff employed prior to the award of the Charter were deemed employees of the University under the same terms and conditions of service.
911. In line with Section 35(5b) of the TMU Charter, the University Council initiated the development of University Statutes to provide a framework for the review and approval of all University policies, including the staff establishment. The Statutes were prioritized and submitted to the Cabinet Secretary for Education for gazette, as required under Section 23 of the Universities Act, 2012. Following this submission, a comprehensive review of the University's policies and operational documents, including the staff establishment, was undertaken to ensure alignment with the current status and operational needs of the University.
912. The staff establishment outlines the optimal staffing levels, required skills, and competency framework necessary to achieve the University's strategic objectives. Approval of the staff establishment and the management remains committed to ensuring that all staff appointments and operational functions align with the approved staff establishment.

Committee observation

913. The committee observed that management provided an approved staff establishment, thus the matter is addressed.

10.3 Audited statements for Financial Year 2023/2024 (Unmodified Opinion)

10.3.1 Budgetary Control and Performance

914. The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs. 730,965,812 and actual revenue of Kshs. 849,298,160 resulting in Kshs. 118,332,348 or 16% revenue surplus which could be an indicator of low set targets. Similarly, the statement reflects a budgeted expenditure of Kshs. 730,965,812 and actual expenditure of Kshs.649,469,764 resulting in a net under-expenditure of Kshs. 81,496,048 or 11% of available funds.
915. The under expenditure may have impacted negatively in the service delivery and completion of budgeted activities by the University.

Management Response

916. The Financial year 2023/2024 was the first year for implementation of the new funding model for public universities. In this model, students are banded using a means-testing instrument and financed through Scholarships, loans and household contribution. The 2022 KCSE cohort applied for the loans and scholarships late delaying categorization, allocation and disbursement of funds to University. In Tom Mboya University 300 students made late applications for loans and scholarships contributing to the surplus revenue.
917. In addition, the University received the approval to collect and use the additional AIA on 28th June 2024 two days to the end of the Financial year through the letter ref: MOE/11/1/Vol. IV/15 dated 24th June 2024 from the Principal Secretary State department for Higher education and Research. Given this prevailing challenge the University could not reliably estimate the revenue. Going forward the University will strive to ensure realistic revenue targets are set based on the knowledge of the New Funding Model. The rollover from FY 2023/2024 has been budgeted in the FY 2024/2025 as advised by the Ministry through letter ref: MOE/11/1/Vol.V/87 dated 3rd September 2024 and captioned “Approval of the Projected Income from the Student-Centered Model for Tom Mboya University”

Committee Observation

918. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

10.3.2 Underfunding of the proposed Construction of the Phased Administration and Lecture Halls Block

919. The statement of financial position reflects property, plant and equipment balance of Kshs.1,422,955,412 which includes additions to work in progress amount of Kshs.177,368,827 out of which Kshs.172,589,233 was incurred in respect of proposed construction of Phased administration and lecture halls blocks. The University entered into a contract with a company on 15th June, 2020 at a contract sum of Kshs.968,664,196. The contract sum was later later varied to Kshs.984,655,986 due to a change in the Value Added Tax (VAT) rate. The contract period was set at 196 weeks with a completion date of 24th June 2024. However, review of interim certificate number 26 dated 7 June, 2024 revealed that total payment of Kshs. 720,031,616 had been certified and paid, representing 73% funding. Physical verification of the project on November 2024 revealed that the project was 84% complete with 100 % of the initial period having elapsed. In addition, the university has continued to receive inadequate funding from the National Government, leading to a severe strain in funding the completion of the project. During the year under review, the University had an approved development budget of Kshs. 45,000,000 but only received Kshs. 11,250,000.
920. In the circumstances, the completion of the project has been negatively impacted.

Management Response

921. The National Treasury through State Department for Higher Education and Research has so far disbursed Kshs. 233,341,619 as at 31st December 2025 out of the Completed and Certified of Kshs. 895,387,894 resulting in deficit of Kshs. 662,046,275. The Principal Secretary, National treasury and Principal Secretary, State Department for higher Education gave written confirmations to prioritize funding the project. and to date the University has not received the funds. However, the Contractor completed and handed over the project on 28th March 2025.

Committee Observation

922. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.3.3 Unresolved Prior Year Matters

923. The Management has responded to the following prior year audit matters:

10.3.3.1 Engagement of Casuals beyond the Allowed Limit

924. The University retained General Labourers from the Homa Bay Agricultural Training Centre (ATC), where the University premises are located. This engagement was carried out in accordance with Section 16(1) of the Tom Mboya University College Legal Notice of April 2016, which governed the transition of staff during the establishment phase of the University.
925. In strict adherence to Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual, these General Labourers were engaged on renewable three (3)-month contracts, with scheduled breaks incorporated between academic semesters. The contracts and engagement periods were structured to ensure compliance with the policy while maintaining operational continuity at the University premises.
926. Management remains committed to full compliance with the University's Human Resource Policy and Procedures Manual, ensuring that casual engagements are strictly within the allowed limits and properly documented.

10.3.3.2 Non-compliance with Law on Ethnic Composition

927. The ethnic imbalance arose largely from historical staffing arrangements at the time of establishment of the University, during which the institution inherited a workforce that was not ethnically diverse, particularly within the support staff cadre. This situation was further influenced by the University's location, where high uptake of lower-cadre positions by the local community was experienced. Notwithstanding the above, Management has progressively implemented measures to enhance compliance with the Act.
928. These measures include: Advertising vacant positions nationally through platforms with wide outreach to ensure equal opportunity for applicants from diverse ethnic backgrounds; Integrating diversity considerations into recruitment and selection processes, in line with applicable laws and regulations; and Monitoring ethnic composition during recruitment to progressively address imbalances.
929. As a result of these interventions, the University has recorded notable improvement in ethnic diversity, particularly within the academic staff and middle-level administrative cadres. The remaining imbalance is largely confined to the support staff category, which Management continues to address through gradual staff recruitment.

930. Management remains committed to progressive compliance with the law and will continue to strengthen workforce planning and recruitment controls to ensure full adherence to the ethnic diversity requirements.

10.3.3.3 Over Commitment of Salaries

931. The affected staff members' salaries were impacted by statutory deductions, including those mandated under the National Social Security Fund (NSSF) Act, 2013, which, when combined with other authorized deductions, temporarily resulted in net pay falling below the one-third threshold of basic salary during June 2023.

932. Upon identification of this discrepancy, Management took immediate remedial action by advising the affected staff to review and adjust their financial commitments, including loans and advances, to align with the statutory limits.

933. Management confirms that corrective measures were implemented in the months following June 2023, and the salary deductions have since been maintained within the statutory limits. Copies of the subsequent months' pay slips demonstrating compliance are attached for reference.

10.3.4 Improperly Constituted University Council Committees

934. In line with the Mwongozo Code of Governance, the quorum for Board committee meetings is not less than three (3) members (Section 4, Mwongozo Code). The composition of the University Council committees was structured to ensure that quorum requirements are met, enable the conduct of committee business even in the case of the absence of a member, and provide flexibility in decision-making where conflicts of interest may arise or unanimous decisions are not possible.

935. The current committee membership aligns with the intent of Guideline B4 of Head of Public Service Circular Ref. No. OP/CAB.9/1A dated 11th March, 2020, which is designed to ensure effective committee functioning while preserving oversight within a full Board framework.

936. The two representatives from the National Treasury and the Parent Ministry were assigned to three (3) committees in recognition of their oversight responsibilities in enforcing compliance with government policies and regulations. Their involvement in both the Audit and Finance committees is explicitly exempted under paragraph B5 of the

Circular. Additionally, paragraph B6 of the Circular provides that such assignments are not subject to rotation.

937. Therefore, their participation in multiple committees is fully compliant with the exemptions and intent outlined in the Circular. The University Council committees were constituted to ensure compliance with governance principles, quorum requirements and statutory exemptions.

Management Response

938. The Council Almanac for FY 2022/2023 was developed in accordance with the State Corporations Act and Paragraph A2 of Circular Ref. No. OP/CAB.9/1A. The Circular restricts Board and Committee meetings to a minimum of four and a maximum of six per financial year, with provision under Paragraph A3 for approval of any additional meetings.

939. The additional meetings beyond the prescribed limit arose primarily due to the University's transition to a fully-fledged status and the concurrent processes for recruitment and establishment of Top Management positions. These meetings were convened to ensure timely decision-making and continuity of effective governance during the transition period.

940. For meetings deemed necessary beyond the scheduled almanac, requests were submitted to the Cabinet Secretary for Education, accompanied by detailed justifications, in line with Paragraph A3 of the Circular.

941. Management reiterates its commitment to adhering to all statutory provisions and circular guidelines regarding the scheduling of Council and Committee meetings and ensuring that any deviations are fully justified and approved.

Committee Observation

942. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation.

10.3.5 Non-Compliance with Law on Ethnic Composition

943. Analysis of the personnel records for the month of June, 2024 revealed that the University had a workforce of 101, out of which 62 were from the dominant community. This represents 61% of the total workforce, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall represent the diversity of the people of Kenya in the employment of staff, and that, no

public establishment shall have more than one third (33%) of its staff from the same ethnic community.

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

Management Response

945. The ethnic imbalance arose largely from historical staffing arrangements at the time of establishment of the University, during which the institution inherited a workforce that was not ethnically diverse, particularly within the support staff cadre. This situation was further influenced by the University's location, where high uptake of lower-cadre positions by the local community was experienced. Notwithstanding the above, Management has progressively implemented measures to enhance compliance with the Act.

946. These measures include: Advertising vacant positions nationally through platforms with wide outreach to ensure equal opportunity for applicants from diverse ethnic backgrounds; Integrating diversity considerations into recruitment and selection processes, in line with applicable laws and regulations; and Monitoring ethnic composition during recruitment to progressively address imbalances.

947. As a result of these interventions, the University has recorded notable improvement in ethnic diversity, particularly within the academic staff and middle-level administrative cadres. The remaining imbalance is largely confined to the support staff category, which Management continues to address through gradual staff recruitment.

948. Management remains committed to progressive compliance with the law and will continue to strengthen workforce planning and recruitment controls to ensure full adherence to the ethnic diversity requirements.

Committee Observation

949. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendation

10.3.6 Excessive Council and Committee Meetings

950. During the year under review, the University Council held nine (9) full Council meetings which were in excess of the allowable four (4) for each committee of the Council, contrary to Guideline A2 of the Circular Ref. No. OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020. Further, no evidence was provided for audit indicating whether the extra meetings were approved by the Cabinet Secretary in consultation with the State

Corporations Advisory Committee (SCAC). Management therefore was in breach of Guideline A3 of the above-mentioned Head of Public Service Circular, which requires that request for any extra board meetings (including special board meetings) above the maximum number specified shall be submitted for approval by the relevant Cabinet Secretary, in consultation with SCAC.

951. In the circumstances, Management was in breach of the Head of Public Service directives and guidelines.

Management Response

952. The Council Almanac for FY 2023/2024 was developed in accordance with the State Corporations Act and Paragraph A2 of Circular Ref. No. OP/CAB.9/1A. The Circular restricts Board and Committee meetings to a minimum of four and a maximum of six per financial year, with provision under Paragraph A3 for approval of any additional meetings.

953. The additional meetings convened during the year were necessary to facilitate timely decision-making, ensure continuity of governance, and maintain operational effectiveness, particularly in addressing urgent matters requiring the Council’s oversight.

954. For meetings deemed necessary beyond the scheduled almanac, requests were submitted to the Cabinet Secretary for Education, accompanied by detailed justifications, in line with Paragraph A3 of the Circular. Management reiterates its commitment to adhering to all statutory provisions and circular guidelines regarding the scheduling of Council and Committee meetings and ensuring that any deviations are fully justified and approved.

Committee Observation

955. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendations

10.4 Audited statements for Financial Year 2024/2025 (Unmodified Opinion)

10.4.1 Unresolved Prior Year Matters

956. In the prior years ‘audit reports, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in use of Public Resources, respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved.

S/No	Financial Year	Audit Issue
1.	2023/2024	Budgetary Control and Performance

2.	2023/2024	Underfunding of the Proposed Construction of Phased Administration and Lecture Hall Block
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Management Response

10.4.2 Budgetary Control and Performance

957. The Financial year 2023/2024 was the first year for the implementation of the new funding model for public universities. In this model, students are banded using a means-testing instrument and financed through Scholarships, loans and household contribution. The 2022 KCSE cohort applied for the loans and scholarships late delaying categorization, allocation and disbursement of funds to University. In Tom Mboya University 300 students made late applications for loans and scholarships contributing to the surplus revenue.
958. In addition, the University received the approval to collect and use the additional AIA on 28th June 2024 two days to the end of the Financial year through the letter ref: MOE/11/1/Vol. IV/15 dated 24th June 2024 from the Principal secretary State department for Higher education and Research. Given this prevailing challenges the University could not reliably estimate the revenue. Going forward the University will strive to ensure realistic revenue targets are set based on the knowledge of the New funding Model. The rollover from FY 2023/2024 has been budgeted in the FY 2024/2025 as advised by the Ministry through letter ref: MOE/11/1/Vol.V/87 dated 3rd September 2024 and captioned “Approval of the Projected Income from the Student Centered Model for Tom Mboya University”

Committee Observation

959. The Committee observed that this is a recurring issue from previous financial years and reiterates its earlier recommendations

10.4.3 Underfunding of the proposed Construction of Phased Administration and Lecture Halls Block

960. The National Treasury through State Department for Higher Education and Research has so far disbursed Kshs. 233,341,619 as at 31st December 2025 out of the Completed and Certified of Kshs. 895,387,894 resulting in deficit of Kshs. 662,046,275. The Principal Secretary, National treasury and Principal Secretary, State Department for higher Education gave written confirmations to prioritize funding the project. and to date the University has not received the funds. However, the Contractor completed and handed over the project on 28th March 2025.

10.4.4 Lack of Monitoring and Evaluation Framework and Reports

961. The Statement of Financial position reflects property, plant and Equipment balance of Kshs. 1,620,982,199 which as disclosed in Note 18 to the Financial statements includes work in progress balance of Kshs. 895,387,894 which represents cumulative cost of ongoing development projects. However, the university did not provide the project status reports on Non-Financial performance for each individual programme undertaken by the University contrary to regulation 136(3) of the Public Finance management (National Government) regulations, 2015, which states that an accounting officer shall put in place efficient and effective systems to monitor and report on non-financial -performance for his or her national government entity's individual programmes and projects based on the prescribed format under paragraphs (1) and (2) and submit a report to the Cabinet Secretary responsible for planning with a copy to the Auditor-General.

962. Further there is no documentary evidence provided indicating development and approval of the Monitoring and Evaluation Policy.

963. In the circumstances, management was in breach of the law.

Management Response

964. The University has a monitoring and evaluation framework through the Performance Contract Model spearheaded by the Office of the Prime Cabinet Secretary. The University reports without fail on a quarterly basis on the achievement of Financial and non-financial targets based on the signed Performance Contract between the University Council and the Cabinet Secretary. In addition, the University on a quarterly basis reports on the performance of capital projects. The Section 17 of Tom Mboya University Finance Policy and procedures manual specifies the reporting procedures.

Committee Observation

965. The Committee observed that the management provided a performance report that includes development project status information on non-financial performance, thus the matter is resolved.

10.4.5 Failure to Revise Procurement Plan to Incorporate Changes in Supplementary

Budget

966. The management prepared and provided for audit a procurement plan for the year ended 30 June 2025. However, the plan did not incorporate the approvals of the supplementary budget. This was contrary to regulation 51(2) of the Public Finance Management (National Government) Regulation, 2015 provides that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.

967. In the circumstances, management was in breach of the Law.

Management Response

968. Tom Mboya University revised its procurement plan based on the approved supplementary Budget II 2024/2026.

Committee observation

969. The committee observed that the revised procurement plan was provided and therefore the matter is resolved.

10.4.6 Non-Compliance with Commission for University Education Guidelines on

Research Programmes

970. The statement of financial performance reflects general expenses amount of Kshs.158,071,108 as disclosed in Note 13 to the financial statements. Included in the amount is Kshs.225,300 or 0.03% of the operational budget of Kshs.673,938,266 was incurred on research, contrary to the Commission for University Education Standard NST/STD/010 under the University Standards for Accreditation and Operations, which states that a university shall endeavor to have adequate funds for research by allocating a minimum of 2% of its operational budget to research. This situation if allowed to continue may prevent the University from achieving its research goals and objectives.

971. In the Circumstances, management was in breach of the commission for University Education Standard NST/STD/010

Management Response

972. In an effort to comply with CUE guidelines on Research, Tom Mboya University has partnered with Development Partners and other Collaborators to undertake the following Research activities.

Committee observation

973. The committee observed that there is no evidence that the partnership between the University and development partners will raise research expenditure to the required 2%..

Committee recommendations

974. The committee recommends that management should always comply with the Commission for University Education Standard NST/STD/010 under the University Standards for Accreditation and Operations, which states that a university shall endeavor to have adequate funds for research by allocating a minimum of 2% of its operational budget to research.

10.4.7 Failure to Remove Asbestos Roofing in the University Buildings

975. Physical inspection of the University's assets carried out in May, 2025 revealed that thirteen (13) buildings within the University had asbestos roofing. However, although management submitted details of buildings with asbestos roofing to the Ministry of Education as requested for purposes of establishing a national inventory on asbestos to inform policy direction on dealing with the health hazard, it was not clear when the asbestos roofing will actually be replaced. This is to contrary to Gazette notice number 7332 of 5 June, 2025 which requires the safe removal and disposal of asbestos. The gazette notice recognized that asbestos are hazardous and toxic materials. The continued use of asbestos roofing is likely to cause environmental and adverse human health problems.

976. In the circumstances, management was in breach of the law.

Management Response

977. The Government has requested for information for purposes of coming up with National Inventory on Asbestos roofing in Government Buildings in order to inform policy direction. The University submitted the required information to the Principal Secretary for onward transmission and is awaiting further guidance and direction on the same.

978. In addition, the University obtained NEMA approval for the removal of asbestos roofing.



979. Meanwhile the University has allocated funds in the FY 2025/2026 budget for the removal of asbestos as it awaits further guidance and direction from the Ministry.

Committee observation

980. The committee observed that continued use of asbestos roofing is likely to cause environmental and adverse human health problems.

Committee Recommendations

981. The committee recommends that the accounting officer should ensure the asbestos roofing is removed by June 2026 and should always ensure compliance with Gazette Notice Number 7332 of 5 June 2025, which requires the safe removal and disposal of asbestos. The gazette notice recognized that asbestos are hazardous and toxic material.

SIGNED.......... DATE..........

HON. WANAMI WAMBOKA, CBS, M.P.

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION

THE NATIONAL ASSEMBLY

13TH PARLIAMENT –FITH SESSION (2026)

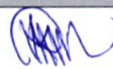








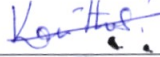




PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

Date : 19/3/2026 Venue : ARBYLLE GRAND HOTEL

Time Started: 4:00 pm Time Ended: 6:00 pm

AGENDA: ADOPTION OF 11TH REPORT OF VARIOUS UNIVERSITIES FOR FY 2018/19 - 2024/2025

	HON. MEMBER	SIGNATURE
1.	Hon. Wanami Wamboka, CBS, MP - Chairperson	
2.	Hon. Boyd Were Ong'ondo MP – Vice-chairperson	
3.	Hon. Mark Muriithi Mwenje, CBS, MP	
4.	Hon. (Dr.) Shadrack Mwiti Ithinji MP	
5.	Hon. Moses Kirima Nguchine, MP	
6.	Hon. Wamacukuru Githua Kamau, CBS, MP	
7.	Hon. Alfa Ondieki Miruka, CBS, MP	
8.	Hon. Bonaya Mumina Gollo, MP	
9.	Hon. Chiforomodo Mangale Munga, MP	
10.	Hon. Daniel Karitho Kiili, MP	
11.	Hon. (Amb)Francis Sigei Kipyegon, EBS, MP	
12.	Hon. Joseph Tonui Kipkosgei, MP	
13.	Hon. Maurice Kakai, Bisau MP	
14.	Hon. Rebecca Tonkei Noonaiishi, MP	
15.	Hon. Thuddeus Nzambia Kithua, MP	