



*Approved  
SNA  
9/4/26*

**PARLIAMENT  
OF KENYA  
LIBRARY**

REPUBLIC OF KENYA


THIRTEENTH PARLIAMENT- (FIFTH SESSION)

THE NATIONAL ASSEMBLY

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

\*\*\*

ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF VARIOUS TECHNICAL AND VOCATIONAL COLLEGES (TVCs) AND TECHNICAL TRAINING INSTITUTES (TTIs) FOR THE FINANCIAL YEARS 2021/2022, 2022/2023, 2023/2024 & 2024/2025

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 09 APR 2026	DAY: <i>Thursday</i>
TABLED BY:	<i>Vice Chairman Public Investment Committee on Governance and Education</i>
CLERK-AT THE-TABLE:	<i>Kanda-Tiliki</i>

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

APRIL 2026



## TABLE OF CONTENTS

LIST OF ABBREVIATIONS/ACRONYMS .....	iv
CHAIRPERSON'S FOREWORD.....	v
EXECUTIVE SUMMARY .....	vii
1.0 PREFACE.....	viii
1.1 Establishment and Mandate of the Committee .....	viii
1.2 Committee Membership.....	x
1.3 Committee Secretariat.....	xi
1.4 Committee proceedings .....	1
2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS .....	2
1.0 LIKONI TECHNICAL AND VOCATIONAL COLLEGE .....	4
<i>Audited Statements for Financial Year 2021/2022 (Qualified Opinion)</i> .....	4
<i>Audited Statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	7
<i>Audited Statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	9
<i>Audited Statements for Financial Year 2024/25 (Qualified Opinion)</i> .....	16
2.0 MATHENGE TECHNICAL TRAINING INSTITUTE.....	22
<i>Audited statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	22
<i>Audited statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	26
<i>Audited statements for Financial Year 2024/25 (Unmodified Opinion)</i> .....	32
3.0 NKABUNE TECHNICAL TRAINING INSTITUTE.....	33
<i>Audited statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	33
<i>Audited statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	34
<i>Audited statements for Financial Year 2024/2025 (Qualified Opinion)</i> .....	38
4.0 RIRAGIA TECHNICAL AND VOCATIONAL COLLEGE .....	42
<i>Audited statements for Financial Year 2021/2022 (Qualified Opinion)</i> .....	42
<i>Audited statements for Financial Year 2022/2023- (Qualified opinion)</i> .....	49
<i>Audited statements for Financial Year 2023/2024- (Qualified Opinion)</i> .....	60
<i>Audited statements for Financial Year 2024/2025- (Qualified Opinion)</i> .....	65
5.0 TAITA TAVETA TECHNICAL AND VOCATIONAL COLLEGE .....	73
<i>Audited Statements for the Financial Year 2022/2023 (Qualified Opinion)</i> .....	73
<i>Audited statements for Financial Year 2023/2024- (Qualified Opinion)</i> .....	80
<i>Audited statements for Financial Year 2024/2025- (Qualified Opinion)</i> .....	92
6.0 KAKRAO TECHNICAL AND VOCATIONAL COLLEGE.....	98
<i>Audited statements for Financial Year 2021/2022- (Qualified Opinion)</i> .....	98
<i>Audited statements for Financial Year 2022/2023- (Qualified Opinion)</i> .....	104
<i>Audited statements for Financial Year 2023/2024- (Qualified Opinion)</i> .....	111
<i>Audited statements for Financial Year 2024/2025 (Qualified Opinion)</i> .....	119
7.0 LAISAMIS TECHNICAL AND TRAINING INSTITUTE.....	124
<i>Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	124
<i>Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	128

<i>Audited Financial Statements for Financial Year 2024/2025- (Qualified Opinion)</i> .....	130
8.0 KISIWA TECHNICAL AND TRAINING INSTITUTE .....	142
<i>Audited Financial Statements for Financial Year 2021/2022 (Qualified Opinion)</i> .....	142
<i>Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	144
<i>Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	149
<i>Audited Financial Statements for Financial Year 2024/2025 ( Qualified Opinion)</i> .....	152
9.0 KERICHO TOWNSHIP TECHNICAL AND VOCATIONAL COLLEGE.....	160
<i>Audited Financial Statements for Financial Year 2021/2022 (Qualified Opinion)</i> .....	160
<i>Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	164
<i>Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	168
<i>Audited Financial Statements for Financial Year 2024/ 2025 (Qualified Opinion)</i> .....	174
10.0 PC KINYANJUI TECHNICAL AND TRAINING COLLEGE .....	180
<i>Audited Statements for Financial Year 2021/2022 (Qualified Opinion)</i> .....	180
<i>Audited statements for Financial Year 2022/2023 (Qualified Opinion)</i> .....	185
<i>Audited statements for Financial Year 2023/2024 (Qualified Opinion)</i> .....	188
<i>Audited statements for Financial Year 2024/2025 (Qualified Opinion)</i> .....	193

## LIST OF ABBREVIATIONS/ACRONYMS

Ag.	-	Acting
CEO	-	Chief Executive Officer
CS	-	Cabinet Secretary
DCI	-	Directorate of Criminal Investigations
EACC	-	Ethics and Anti-Corruption Commission
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
GoK	-	Government of Kenya
IAS	-	International Accounting Standards
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
MD	-	Managing Director
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, Cap. 412A
PPAD	-	Public Procurement and Asset Disposal Act, Cap. 412B
IFRS	-	International Financial Reporting Standards

## 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.

Upon its inception, the Committee noted a significant backlog of audit reports. Consequently, it resolved to systematically examine all outstanding reports from the Auditor-General regarding State Corporations to bring the oversight current with the 2024/2025 Financial Year.

The Committee conducted its proceedings within the precincts of Parliament. During these sessions, Accounting Officers and relevant technical staff appeared to provide evidence and respond to queries. Their submissions formed the evidentiary basis for the observations, findings, and recommendations detailed in this report.

This report covers the examination of the Auditor-General’s reports for Technical Training Institutes (TTIs) and Technical Vocational Colleges (TVCs) across four consecutive financial years, concluding with the 2024/2025 FY. 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;
- 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. It also recommends further investigations of certain matters by the relevant investigative agencies such as the EACC and the DCI. All this is geared towards ensuring the 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 contribution 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 honor to present the 13<sup>th</sup> Report of the Public Investments Committee on Governance and Education on its Examination of the Audited Financial Statements for various Technical Training Institutes (TTIS) and Technical Vocational Colleges (TVCs) for the Financial Years 2021/2022, 2022/2023, 2023/2024 & 2024/2025



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

## **EXECUTIVE SUMMARY**

The 13<sup>th</sup> Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of various Technical Training Institutes (TTIS) and Technical Vocational Colleges (TVCs) for four financial years (4) FYs i.e., FY 2021/22, FY 2022/23, FY 2023/24 and FY 2024/2025.

In its examination and scrutiny of the audited financial statements of the various institutions contained in the report, 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. 412C 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 FY whose financial statements were examined; 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 recommendations 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, 2010 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 include: -

- 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

**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(1)** sets out the responsibilities of accounting officers for national government entities, the 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 in a lawful, authorized, effective, efficient, economical and transparent manner.

- **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

2. The Committee comprises of the following fifteen (15) Members:

### **Chairperson**

The Hon. Wanami Wamboka, CBS, MP  
Bumula Constituency

### **DAP-K Party**

### **Vice Chairperson**

The Hon. Ong'ondo Boyd Were, MP  
Kasipul Constituency

### **ODM Party**

The Hon. Mark Mwenje, CBS, MP.  
Embakasi West Constituency

### **Jubilee Party**

The Hon. Alfah 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. Thuddeus Nzambia, MP.  
Kilome Constituency

### **WDM Party**

The Hon. Shadrack Mwiti, MP.  
Imenti South Constituency

### **Jubilee Party**

The Hon. Wamacukuru Githua, CBS, MP.  
Kabete Constituency

### **UDA Party**

The Hon. Daniel Karitho, MP  
Igembe Central Constituency

### **Jubilee Party**

The Hon. Moses Kirima, MP  
Imenti Central Constituency

### **UDA Party**

The Hon. Chiforomodo Munga, MP  
Lungalunga Constituency

### **UDM Party**

The Hon. Maurice K. Bisau, MP.  
Kimini Constituency

### **DAP-K Party**

The Hon. Joseph Tonui, MP  
Kuresoi South Constituency

### **UDA Party**

The Hon. Rebecca Tonkei, MP.  
Narok County

### **UDA Party**

### 1.3 Committee Secretariat

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

Ms. Ruth Mwhaki Gakuya  
Clerk Assistant I/ Lead Clerk

Ms. Winny Awino Otieno  
Clerk Assistant III

Mr. Enock Manwa  
Clerk Assistant III

Mr. Derrick Kathurima  
Media Relations Officer

Ms. Noel Amutabi  
Legal Counsel II

Ms. Eunice Liavuli  
Research Officer III

Mr. Machuki E. Mwebi  
Fiscal Analyst II

Ms. Geogina Okoth  
Research Officer III

Mr. Peter Mutethia  
Audio Officer

Mr. Stephen Otieno  
Sergeant at Arms

Ms. Mary Kamande  
Public Communications Officer

#### 1.4 Committee proceedings

4. To produce this report, The Committee held twelve (12) sittings where it examined the audited financial statements of the following Technical Training Institutes (TTIS) and Technical Vocational Colleges (TVCS) and the accompanying Reports by the Auditor-General: -

	<b>Institution</b>	<b>Financial Years</b>
1.	Likoni Technical and Vocational College	2021/2022 -2024/2025
2.	Mathenge Technical Training Institute	2022/2023 -2024/2025
3.	Nkabune Technical Training Institute	2022/2023 -2024/2025
4.	Riragia Technical and Vocational College	2021/2022 -2024/2025
5.	Taita Taveta Technical and Vocational College	2022/2023 -2024/2025
6.	Kakrao Technical and Vocational College	2021/2022 -2024/2025
7.	Laisamis Technical and Training Institute	2022/2023 -2024/2025
8.	Kisiwa Technical and Training Institute	2021/2022 -2024/2025
9.	Kericho Township Technical and Vocational College	2021/2022 -2024/2025
10.	PC Kinyanjui Technical and Training College	2021/2022 -2024/2025

11. 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 the Principals who are the accounting Officers of the institutions and other relevant witnesses.
12. 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.
13. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in the various Technical Training Institutes (TTIS) and Technical Vocational Colleges (TVCS).

## **2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS**

14. In its examination of the financial and audit reports of the various Technical and Vocational Education and Training (TVETs), Technical Training Institutes (TTIS) and Technical Vocational Colleges (TVCS) the Committee did not issue additional recommendations with respect to matters already resolved. For the recurring issues, the Committee reiterates the observations and recommendations made in previous financial years. Regarding the unresolved queries, the Committee has set out detailed observations and recommendations within the relevant sections of this report.
15. In relation to the cross-cutting and persistent audit concerns identified, the Committee highlights the following five (5) issues on which it makes general observations and recommendations:

### **2.1 Receivables Management**

16. The Committee observed that receivables, including student debtors and imprests, have remained unresolved across multiple financial years. This persistent issue points to weaknesses in debt recovery processes and ineffective cash flow management. Failure to invoice students promptly after registration and inadequate follow-up mechanisms exacerbate the problem, leading to liquidity constraints and increased financial strain.

*The Committee recommends that the Accounting Officers should implement stringent credit control policies and leveraging technology for automated billing and collection. Moreover, the respective organs of governance under Section 28 of the TVET Act, Cap. 210A should approve the write-off of irrecoverable student debts.*

### **2.2 Late Submission of supporting documentation**

17. The Committee observed that 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 the Accounting Officers should henceforth comply with Section 68(2)(k) of the PFM Act, Cap.412C by providing supporting documentation on time.*

### **2.3 Lack of Staff Ethnic Diversity**

18. The Committee observed that for most of the institutions, the Auditor reported that they had more than a third as the dominant tribe that is contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N, which states that no public establishment shall have more than one-third of its staff from the same ethnic community. Moreover, this issue was recurring in multiple FYs for the institutions.

*The Committee recommends that within two (2) years from the date of adoption of this report by the House, the Institutions should have complied with Section 7(2) of the National Cohesion and Integration Act, Cap. 7N.*

#### **2.4 Lack of Land Ownership Documents**

19. The Committee observed that majority of the Institutions lacked legal land ownership documents for the parcels of land that they were occupying. Moreover, the land of these institutions had been encroached this exposed the institutions to a risk of losing their land to squatters.

*The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should expedite the process of acquiring the title deeds for the parcel of land by liaising with the relevant government agencies, including the National Land Commission and the Ministry of Lands, Public Works, Housing and Urban Development, and thereafter submit documentary evidence of ownership for all parcels of land to the Auditor-General for verification and reporting in the subsequent audit cycle.*

#### **2.5 Lack of Risk Management Policy**

20. The Committee observed that majority of the institutions had not put in place or were in the process of coming up with a risk management policy, strategies and risk register to mitigate against risk. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.

*The Committee recommends that: -*

- (i) For those institutions without a risk management policy, management should ensure that they have an approved policy in place within three (3) months of adoption of this report by the House;*
- (ii) For the institutions with a draft policy, management should ensure that the draft policy is approved and implemented within one (1) month of adoption of this report by the House; and*
- (iii) The Auditor shall report on the effectiveness of policies in the next audit cycle.*

## CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF VARIOUS TECHNICAL AND VOCATIONAL COLLEGES (TVCS) AND TECHNICAL & TRAINING INSTITUTIONS(TTIs) FOR THE FINANCIAL YEARS 2021/2022 TO 2024/2025

### 1.0 LIKONI TECHNICAL AND VOCATIONAL COLLEGE

Ms. Samira Addalla, the Principal accompanied by: -

- i) Ms. Rodah Ngala-Finance Officer
- ii) Mr. Msikiti Nasoro-Procurement Officer

appeared before the Committee to adduce evidence on the audited accounts Likoni TVC, on 10<sup>th</sup> February 2026, and informed the Committee as follows: -

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

##### 1.1.1 Accuracy of cash and cash equivalents Balance

21. The Statement of Financial Position and Note 14 to the financial statements reflect cash and cash equivalents balance of Kshs.52,792 in respect of an account held in local bank. However, the balance differs with the cashbook balance of Kshs.32,384 by an unexplained and unreconciled variance of Kshs.20,408.
22. Further the bank reconciliation statement as at 30 June,2022 was not provided for audit. This is contrary to Regulation 90(1) of the PFM (NG) Regulations, 2015 which states that the 'Accounting Officer shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month'.
23. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.52,792 could not be confirmed.

##### *Management Response*

24. The management submitted that the cashbook was updated and reconciled with the reconciliation statement. Moreover, bank reconciliation statement as at 30 June, and fully signed has been presented for review.

##### *Committee Observations*

25. The Committee observed that no evidence was provided on how the difference of Kshs. Kshs.20,408 was reconciled.
26. The Committee further observed that Bank reconciliations were provided for the period ending 30 June 2025.

##### *Committee Recommendations*

27. The Committee recommends that the Accounting Officer should provide verifiable evidence of how the variance was reconciled to the Office of the Auditor General for reporting in the subsequent audit cycle.

28. The Committee further recommends that the Accounting Officer should ensure timely preparation and submission of monthly bank reconciliations in compliance with Regulation 90 (1) of the Public Finance and Management (National Government) Regulations, 2015 and always provide documents for audit verification as required section 62(a),(b) of the Public Audit Act 2015

#### **1.1.2 Land Without ownership documents**

29. The statement of financial position and Note 17 to the financial statements reflect property, plant and equipment balance of Kshs185,734,014 which includes land and buildings balance of Kshs. 69,824,184. However, the ownership documents for the land occupied by the College were not provided for audit.
30. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.185,734,014 and the ownership of the land and buildings with a value of Kshs.69,824,184 could not be confirmed.

#### ***Management Response***

31. The management submitted that the college was allocated land by the area MP Likoni, which had been allocated for the construction of a stadium, but it had been constructed at a different area. However, on site handover, the college was constructed on four plots in Bububu area settlement scheme. The management is working together with the area MP Likoni, DCC and the Lands Office to resolve on the ownership issue. Further, the President issued an Order to the area DCC to ensure that the issue is resolved as fast as possible.

#### ***Committee Observations***

32. The Committee observed that despite ownership claims, the Shanzu land remains occupied by squatters and no effort has been demonstrated to remove them. Further, the Polytechnic has not been issued with the title deed for the Mombasa Island land, and the eventuality of the schools currently situated on the land has not been disclosed. This reflects inadequate follow-through on securing and safeguarding institutional property rights.

#### ***Committee Recommendation***

33. The Committee recommends that the Accounting Officer, in collaboration with the Ministry of Education, State Department for Technical and Vocational Education and Training, the Ministry of Lands, and other relevant authorities, resolve all outstanding land ownership issues and secure valid title deeds within six (6) months of the adoption of this report by the House.
34. The Committee further recommends that verifiable evidence of progress, including correspondence, agreements, and title documentation, be furnished to the Auditor-General and submitted to Parliament within the stipulated period.

### **1.1.3 Employee costs – Payments of wages below minimum wage.**

35. The statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs of Kshs.718,162. Review of the payroll records revealed that the College had seven (7) contractual employees, out of whom, two (2) were employed on three months' renewable contracts at salaries of Kshs.25,000 and Kshs.10,000 per month respectively. Further, two (2) other employees were employed at salaries of Kshs.15,000 each per month. This is contrary to Regulation of Wages (General) (Amendment) Order,2018, which provides for minimum wages of Kshs.30,627, Kshs. 20,907 and Kshs.18,319 respectively.
36. In the circumstances, Management was in breach of the Regulation of Wages (General) (Amendment) Order,2018.

#### ***Management Response***

37. The management submitted that the college was facing financial challenges during the period. However, employee salaries had been reviewed and necessary adjustments made with minimum salary being ksh.18,319 as per Salaries and Remuneration Commission guidelines.

#### ***Committee Observations***

38. The Committee observed that the management had submitted supporting evidence to the auditors for verification and the matter was satisfactorily addressed and resolved.

### **1.1.4 Irregular Board Membership and Meetings**

39. The College's Board of Governors had nine appointed members, out of whom, only two were female. This is contrary to Article 27(8) of the Constitution of Kenya, which stipulates that in addition to the measures contemplated in clause (6), the State shall take legislative and other measures to implement the principle that no more than two thirds of the members of elective or appointive bodies shall be of the same gender.
40. Further, the Board held only two meetings in the year, contrary to Section 11 (1) of the Second Schedule to the Technical and Vocational Education and Training Act, Cap.210A requiring that Board meetings be held at least once every four months. In the circumstances, Management was in breach of the law.

#### ***Management Response***

41. The management submitted that on gender rule, the appointment of the board is beyond management authority.

#### ***Committee Observations***

42. The Committee observed that the College was in breach of Article 27(8) of the Constitution of Kenya, and Section 11 of the Second Schedule to the TVET Act, Cap. 210A regarding composition of the board.

### ***Committee Recommendation***

43. The Committee recommends that: -

- i. The Cabinet Secretary, Ministry of Education should regularize the composition of the Board to comply with the Article 27(8) of the Constitution of Kenya, and
- ii. The Accounting Officer should ensure that Board meetings are convened in accordance with the provisions Section 11 of the Second Schedule to the TVET Act, Cap. 210A that duly provides for the Board meetings

### **Audited Statements for Financial Year 2022/2023 (Qualified Opinion)**

#### **1.1.5 Unsupported Inventory Balances**

44. The Statement of Financial Position and Note b 17 to the Financial Statements reflects inventories balance of Kshs.115,408. However, the inventory balance was not supported by an inventory listing and stock take report. Management indicated that annual stock take was not conducted during the year under review hence it was not possible to establish how the actual quantities and the reported values were determined.

### ***Management Response***

45. The management submitted that the Stock take had been enforced and is being carried out by an appointed committee who ensure accurate data is attained in the final records. Support documents of the committee and Consumables Store Ledger (S1) copy have been provided for review.

### ***Committee Observations***

46. The Committee observed that no evidence has been provided as to how the stock take report has been incorporated into the financial statement. Lack of support documentation resulted in the breach of Section 72(1) of the PFM Act, Cap.412A and IPSAS 1.3.33, Regulation 23(1) of the Public Finance Management (National Government) Regulations, 2015.

### ***Committee Recommendations***

47. The Committee recommends that the Accounting Officer should: -

- i. ensure that annual stock takes are conducted, properly documented, reconciled with the consumables Store Ledger, and integrated into the financial statements.
- ii. comply with the provisions of Sections 62 (1) (b) and (c) of the Public Audit Act, Cap.412B by submitting documents for audit verification within reasonable time.

#### **1.1.6 Expenses of Board of Directors**

48. The Statement of Financial performance and Note 11 to the Financial Statements reflects an expenditure of Kshs.389,079 in respect of Board/Council expenses. However, review of personal files revealed that one (1) director did not acknowledge and accept appointment to the board by signing an acceptance letter, the board composition did not meet the one third gender rule and all board members did not declare conflict of interest in respect to any of the

board meetings held during the year. Further, education, human resources and audit risk committees of the board did not hold any meeting during the year contrary to Paragraph A (2) of circular No. OP/CAB.9/1A of March 11,2020 which provides the board meetings be restricted to a minimum of four (4) and capped at a maximum of six (6) for each year.

***Management Response***

49. The management agreed with the statement that one board member by the name Mohammed Mwinyi, did not accept the appointment to the board nor did he acknowledge by issuing an acceptance letter. On gender rule, the appointment of the board is beyond management authority, but the management had voiced concern to the Ministry. All board members declare conflict of interest before commencement of any business in line with the Conflict-of-Interest Act, No. 11 of 2025.

***Committee Observations***

50. The Committee observed that: -
- i. No details were provided on whether the position was subsequently filled;
  - ii. The college is in violation of the constitution in respect of the gender rule;
  - iii. No evidence of conflict-of-interest documents provided; and
  - iv. No details of board meetings were provided.

***Committee Recommendations***

51. The Committee recommends that the Accounting Officer should ensure that all board appointments are properly acknowledged and documented, Further, that all board committee meetings should comply with statutory and regulatory provisions.
52. On compliance of the board composition to the gender rule, the Committee reiterates its recommendation in the previous financial year.

**1.1.7 Failure to acquire Ownership Documents**

53. Review of the Institution's records revealed that the college is constructed on land that was initially earmarked for a stadium and is currently on four (4) Plots. Management confirmed that they have encroached on three (3) subsequent plots as per minutes of the board meeting held on 27 September, 2021. The land has been surveyed but boundaries of the college is yet to be determined. Further, title deed has not been processed, and thus legal ownership of the land could not be confirmed.

***Management Response***

54. The management submitted that the College was allocated land by the area MP Likoni, which had been allocated for the construction of a stadium, but it had been constructed at a different area. However, on site handover, the college was constructed on four plots in Bububu area settlement scheme. The management is working together with the area MP Likoni, DCC and the Lands Office to resolve on the ownership issue. Further the President issued an Order to the area DCC to ensure that the issue is resolved as fast as possible.

### ***Committee Observations***

55. The Committee observed that failure to have the ownership documents was in breach of Regulation 143(1) of Public Finance Management (National Government) Regulations, 2015. Moreover, the Committee notes that this issue is recurring from FY 2021/22 and reiterates its earlier recommendations on the matter.

### **Audited Statements for Financial Year 2023/2024 (Qualified Opinion)**

#### **1.1.8 Inaccuracy of Net Deficit for the Period**

56. The statement of financial performance reflects net deficit for the year of Kshs. 11,929,574 which differs with the surplus disclosed in the statement of changes in net assets for the year of Kshs. 6,272,864. The discrepancy of Kshs. 18,202,438 between the two reports was not explained.
57. In the circumstances, the accuracy of the net deficit of Kshs. 11,929,574 for the year could not be confirmed.

### ***Management Response***

58. The management submitted that the surplus of Kshs. 6,272,864 as shown in the Statement of Changes in Net Assets for the year ended 30th June 2024 was erroneously entered. Total receipts and payments included had a deficit of Kshs. 11,929,574, amount adopted in the Statement of financial position and statement of changes in net assets in the subsequent period.

### ***Committee Observations***

59. The Committee observed that no adjusted statement of changes in net assets had been provided as evidence of the corrections which is in contrary of IPSAS 1.3.33, Regulation 23(1) of the Public Finance Management (National Government) Regulations, 2015.

### ***Committee Recommendations***

60. The Committee recommends that the Accounting Officer prepares and submits amended financial statements reflecting accurate figures, and confirm the corrections in the financial statements for the year ending 30 June 2026. Furthermore, the Office of the Auditor General should report on the implementation status of this matter in the next audit cycle.

#### **1.1.9 Inaccuracy of Cash and Cash Equivalents**

61. The statement of cash flows reflects net cashflows from investing activities of KShs. 6,272,864, net cash outflows used in investing activities of Kshs. 1,173,240 and cash and cash equivalents at the beginning of the period of Kshs. 434,140 which results in cash and cash equivalents at the end of the period of Kshs. 947,359. The discrepancy of Kshs. 4,586,405 was not explained.
62. Further, the cashbook, bank statements and bank reconciliation statements revealed the following anomalies: -

- (i) The bank reconciliation statement as at 30 June, 2024 reflects receipts in bank not yet recorded in cashbook of Kshs. 1,398,088. The amount includes grants received totalling Kshs. 870,346 that had not been receipted since November 2023.
  - (ii) The bank statement revealed receipts in bank totalling to kshs. 2,167,384 that had not been recorded in the cashbook. No reason was provided for the omission. The receipts included a total of Kshs. 633,600 received on 11 May, 2023 meant for students on sponsorship program but was not recorded in the cashbook. The amount was not recognized as a reconciling item in the bank reconciliation statement as amount in the bank and not in cash book
  - (iii) The bank reconciliation statement reflects receipts in cashbook and not yet recorded in the bank statements of Kshs. 834,816. No reason was provided for failure to bank the receipts.
  - (iv) The bank reconciliation statements were not signed by the accountant preparing the statement nor were they counter signed by the Accounting Officer/Principal approving and confirming accuracy of the Statements.
  - (v) The bank certificate and board of survey certificates in support of the cash and cash equivalents balance of Kshs. 947,359 was not provided for audit review.
63. In the circumstances, the accuracy of cash and cash equivalents balance of Kshs. 947,359 could not be confirmed.

#### **Management Response**

64. The management acknowledged the findings of the audit. However, the figure will be adopted in the subsequent periods.
- (i) The government grants were receipted and beneficiaries allocated their funds. Receipts documents have been attached for support.
  - (ii) The amount of Kshs. 633,600 stated as un-receipted in our Cashbook was reconciled in the following month of June, 2023. Evidence of receipts have been attached for reference. However, the institution receives money as direct deposits by student/guardians who fail to acknowledge their payments for receipting purposes. It is for this case that management is in the process of installing e-bank integration for instant tracking of transactions.
  - (iii) Amounts recognized as cash not banked were banked.
  - (iv) The bank reconciliation statements have been signed by the Accounting Officer and documents have been provided for review.
  - (v) The bank certificate and board of survey certificates in support of the cash and cash equivalents balance have been provided for review.

#### **Committee Observations**

65. The Committee observed that: -

- i. The difference of Kshs. 4,586,405 between the computation of the cash and cash equivalent balance and cash and cash equivalent balance at the end of the period was not explained.
- ii. No evidence was provided of receipting of the grants totalling Kshs.870,346 and bankings of Kshs.2,167,384.
- iii. No evidence was provided as when the Kshs. 633,600 was recorded in the cashbook nor when the amount of Kshs. 834,816 was banked.
- iv. The Bank reconciliation provided for audit was signed by one officer instead of required two. The preparer and approver.
- v. The board of survey provided was based on bank balance and not cashbook balance hence not admissible and the approved board of survey form was not provided for audit review

#### ***Committee Recommendations***

66. The Committee recommends that the Accounting Officer should: -
- i. provide evidence of when Kshs.633,600 was recorded in the cashbook and when Kshs.834,816 was banked to the Auditors for review and verification and:
  - ii. ensure that all bank reconciliations are prepared and approved by two officers in tandem with the Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015;
  - iii. Ensure that board of survey exercises are undertaken using the prescribed forms.
  - iv. The Auditor to verify and report on the implementation in the next audit cycle.

#### **1.1.10 Failure to Receipt Funds Received**

67. The statement of receipts and payments and Note 7 to the Financial Statements reflects rendering of services - fees from students of Kshs.15,455,096. However, review of the cashbook records revealed a total of Kshs.247, 736 received in form of fees from students but was not receipted. Hence, it was doubtful that the amount had been credited in respect of the intended recipients.
68. In the circumstances, the accuracy and completeness of rendering of services – fees from students’ balance of Kshs.15,455,096 could not be confirmed.

#### ***Management Response***

69. The management submitted that the stated amounts of Kshs.227,736 being money received for students under Toyota Kenya Foundation sponsorship Program and Kshs. 20,000 received from AMURT. Evidence of receipts have been provided.

#### ***Committee Observations***

70. The Committee observed that break down of how the receipt of 247,736 was distributed amongst the students not provided.

### ***Committee Recommendations***

71. The Committee recommends that the Accounting Officer should prepare and submit a breakdown showing the distribution of the Kshs.247,736 to individual students, supported by receipts, for verification by the auditor. The auditor shall report on the adequacy of this documentation in the next audit cycle for FY 2025/26.
72. The Committee further reprimands the accountant for failure to comply with IPSAS 1 on maintenance of proper accounting standards.

#### **1.1.11 Unsupported Trade Payables**

73. The Statement of financial position and Note 18 to financial statements reflects trade and other payables balance of Kshs.2,116,758. The amount comprised of payroll liabilities of Kshs.221,875 and creditors of Kshs.1,894,883. However, no staff listing in support of the payroll liabilities was provided for audit review. In addition, the listing of creditors totalling Kshs.1,894,883 was not supported with the invoice numbers or Local Purchase Order numbers as is require by the Public Sector Accounting Standards Board reporting template in respect of pending bills.
74. In the circumstances, the accuracy and completeness of trade and other payable balance of Kshs.2,116,758 could not be confirmed.

### ***Management Response***

75. The management had provided creditors lists with their LPOs and Invoices for support of the creditors balance as at period end.

### ***Committee Observations***

76. The Committee observed that the creditors list with their LPOs and Invoices for support of the creditors balance as at period end were availed and verified by the Office of the Auditor General and the matter was adequately addressed and resolved.

#### **1.1.12 Unsupported Property, Plant and Equipment Balances**

77. The statement of financial position and as disclosed in Note 17 to financial statements reflects balances for property, plant and equipment of Kshs.150,943,004. However, no ownership documents in form of title deeds, transfer documents and handing over reports were provided as evidence to support the amount disclosed as historical cost of the assets. In addition, assets register provided in support of the balances was not in the format prescribed by the National Treasury on accounting for assets and liability management in public sector.
78. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.150,943,004 could not be confirmed.

### ***Management Response***

79. The management submitted that the Institution has now an updated Asset Register filled in the required format that shows correct balances for the Institution's assets. Copy of the document has been enclosed.

### ***Committee Observations***

80. The Committee Observed that: -
- i. No ownership documents were provided.
  - ii. No asset registers in the required format were attached

### ***Committee Recommendations***

81. The committee recommends that on the submission of land ownership documents, and reiterates its earlier recommendations on the matter.
82. The Committee further recommends that the Accounting Officer should submit an asset register in the prescribed format to the auditor within six (6) months of adoption of this report by the House, and the Auditor-General shall report on the adequacy of this documentation in the next audit cycle.

#### **1.1.13 Budgetary control and Performance**

83. The Statement of comparison of budget and actual amounts reflects an expenditure of Kshs.15,876,552 against actual receipts of Kshs.22,149,416 resulting to an under-utilization of Kshs.6,272,864 or 28% of actual receipts.
84. The under-utilization affected implementation of planned activities and may have impacted negatively on service delivery to the public.

### ***Management Response***

85. The management submitted that the budgets are prepared on accrual basis so as the rendering of services fees from students which accelerated their revenues.

### ***Committee Observations***

86. The Committee observed that the management's explanation that budgets are prepared on an accrual basis does not adequately account for the variance, nor does it address the risk that the under-utilization may stem from overstated revenues and uncollectible debts.

### ***Committee Recommendations***

87. The Committee recommends that the Accounting Officer should provide a detailed explanation of the under-utilization, supported by reconciliations of actual receipts and expenditures, and to strengthen budgetary controls to ensure accurate revenue projections and optimal utilization of funds, and that the Auditor-General shall report on the adequacy of these measures in the next audit cycle.

#### **1.1.14 Failure to Acquire Ownership Documents**

88. As previously reported, the Institution's records revealed that the College is constructed on land that was initially earmarked for a stadium and is currently on four (4) plots. Management confirmed that they encroached on three (3) subsequent plots as per minutes of the board meeting held on 27 September, 2021. The land has been surveyed but boundaries of the College are yet to be determined. Further, the title deed has not been processed, and thus legal ownership of the land could not be confirmed. In addition, value of the land has also not been disclosed in the books of accounts and the annual financial statements.
89. In the circumstances, the ownership and measurement of value of the land could not be confirmed.

#### ***Management Response***

90. The management submitted that the College was allocated land by the area MP Likoni, which had been allocated for the construction of a stadium, but it had been constructed at a different area. However, on site handover, the college was constructed on four plots in Bububu area settlement scheme. The management is working together with the area MP Likoni, DCC and the Lands Office to resolve on the ownership issue. Further the President issued an Order to the area DCC to ensure that the issue is resolved as fast as possible.

#### ***Committee Observations***

91. The Committee observed that this issue is recurring from FY 2021/22 and therefore reiterates its earlier recommendations on the matter.

#### **1.1.15 Lack of Internal Audit Services and an Effective Audit Committee**

92. Review of Internal controls in place revealed that the College did not have services of an internal auditor during the period under review. Therefore, internal audit reviews were not conducted that were risk-based, value for money and systems audits aimed at strengthening internal control mechanisms and that could have an impact on achievement of the strategic objectives of the entity.
93. Further, the corporate governance statement at page xvii indicates the board had established risk and audit committee. However, the risk and audit committee held no meetings during the year under review to execute their mandate contrary to Regulation 179 (1) of Public Finance Management (National Government) regulations, 2015 that specifies the audit committee shall meet at least once in every three months.
94. In the circumstances, the effectiveness of the internal controls of the Institution could not be confirmed.

#### ***Management Response***

95. The Management submitted that the College is one of the newly established TVC and lacks adequate funds to employ a substantive Internal Auditor. Through the advice from the

Ministry, the college will outsource internal auditor from larger/sister organization that is Kenya Coast National Polytechnic or Taita Taveta National Polytechnic.

#### ***Committee Observations***

96. The Committee observed that at the time of audit, the management did not provide evidence that they had outsourced the internal audit function and there was no evidence of the works of an internal audit provided.

#### ***Committee Recommendations***

97. The Committee recommends that the accounting officer should outsource an internal auditor from larger/sister organization that is Kenya Coast National Polytechnic or Taita Taveta National Polytechnic and submit evidence of the outsourcing to the Auditor-General within one (1) month of the adoption of the report by the House. Further, the Auditor General should verify and report in the next audit cycle.

#### **1.1.16 Lack of Risk Management Policy and Failure to Undertake Risk Assessment on Key Processes**

98. Management had not put in place a risk management policy, strategies and risk register to mitigate against risk. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.
99. In the circumstances, the institution is exposed to losses and interruption of operations.

#### ***Management Response***

100. The management submitted that it has developed and enclosed both a Risk Mitigation plan and Risk Management Policy.

#### ***Committee Observations***

101. The Committee observed that although management has developed a draft risk management policy and mitigation plan, these documents remain unapproved by the board. In the absence of an approved policy, the institution remains exposed to operational risks and potential losses.

#### ***Committee Recommendations***

102. The Committee recommends that the Accounting officer should submit the risk management policy to the board for approval within one (1) month of adoption of this report by the House, and the Auditor-General shall confirm and report on compliance in the next audit cycle.

## **Audited Statements for Financial Year 2024/25 (Qualified Opinion)**

### **1.1.17 Omitted Statement of Changes in Net Assets**

103. The statement of financial position reflects a net asset balance of Kshs.151,683,595. However, the statement of changes in net assets in support of the net asset balance was omitted from the financial statement.
104. In the absence of the statement of changes in net assets the accuracy of the net asset balance of Kshs.151,683,595 could not be confirmed.

### ***Management Response***

105. The management submitted that it acknowledged the findings of the audit and The Statement of Changes in Net Assets omitted from the Financial Statement will be included in the FY2025/2026.

### ***Committee Observations***

106. The Committee observed that the Statement of changes in net assets was not provided which is in contrary of IPSAS 1.3.33, Regulation 23(1)(d) of the Public Finance Management (National Government) Regulations, 2015.

### ***Committee Recommendations***

107. The Committee recommends that the Accounting Officer should ensure compliance with Regulation 23(1)(d) of the Public Finance Management (National Government) Regulations, 2015 and of IPSAS 1.3.33 in the preparation of financial statements.
108. The Auditor-General shall verify and report on this in the next audit cycle.

### **1.1.18 Variance Between Statement of Cashflows and Cashbook Records**

109. The statement of cash flows reflects total receipts and payments of Kshs.20,882,655.00 and Kshs.21,949,770 respectively. However, the cashbook total receipts and payments during the period was Kshs.26,990,611.61 and Kshs.22,632,994.18 respectively, the variance of Kshs.6,107,956.61 and Kshs.683,224 in respect of the receipt and payments was not explained or reconciled.
110. In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.6,181,139 could not be confirmed.

### ***Management Response***

111. The management submitted that it acknowledged the findings of the audit of variance of Kshs.6,107,956.61 and 248,263 respectively. In the receipt variance figure includes donation funds received from His Excellency amounting to Kshs. 5,000,000, Kshs.500,000 being recurrent grant for last FY received in the period, Kshs 350,000 received from Insurance Company for compensation for bereaved family of LTVC trainee which is hold in trust and will be paid to the family, accommodation fees for students under sponsorship of Kshs.40,000

and debt of Kshs.200,000 recovered from Godoma Technical Training, which was not recognized in the statement.

***Committee Observations***

112. The Committee observed that undisclosed receipts had not been reflected in the cashflow statement.

***Committee Recommendations***

113. The Committee recommends that the Accounting Officer should disclose all omitted receipts in the cashflow statement and ensure full reconciliation with cashbook records. The Auditor-General shall verify and confirm the corrections in the next audit cycle.

**1.1.19 Unconfirmed Cash Balance Brought forward**

114. The statement of financial position as at 30 June 2025 reflects a cash and cash equivalent balance of Kshs. 6,181,139.00. The cashflow statement in support of the balance shows that the amount comprises of a brought forward balance as at 1 July 2024 of Kshs. 5,533,765. However, the amount differs as that reflected as the opening balance in the statement of financial position of Kshs. 947,359.00. The variance of Kshs. 4,586,406.00 was attributed as correction of a casting error in the period ending 30 June 2024.
115. No reason was provided as to why the opening balance in the statement of financial position was not adjusted with the casting error.

***Management Response***

116. The management submitted that it acknowledges the findings of the audit and the casted figure erroneously omitted in the Financial Position will be included in the FY2025/2026.

***Committee Observations***

117. The Committee observed that the management failed to satisfy the auditors as adjustments would only be made in subsequent financial year financial statements.

***Committee Recommendations***

118. The Committee recommends that the Accounting Officer should ensure that the adjustments 2026 to correct the opening balance are made in the financial statements for the year ending 30 June and should ensure compliance with statutory reporting requirements. The Auditor-General shall verify and report on the correctness of the adjustment in the next audit cycle.

**1.1.20 Incorrect Casting Balance**

119. The statement of cash flow for the year ended 30 June, 2025 reflects a cash and cash equivalent balance of Kshs.6,181,140. However, the cash flow statement when casted downwards reflected Kshs.4,031,689. The variance of Kshs.2,149,451 was not explained or reconciled.

***Management Response***

120. The management submitted that the balances and corrections would be adopted in the subsequent period.

***Committee Observations***

121. The Committee observed that despite management acknowledging the variance, the issue would be fully addressed when an adjustment will be made in subsequent financial year financial statements.

***Committee Recommendations***

122. The Committee recommends that the Accounting Officer should ensure that the financial statements for the year ending 30 June 2026 are adjusted. The Auditor-General shall verify and report on the correctness of the adjustment in the FY next audit cycle.

**1.1.21 Long Outstanding Current Portion of Receivables from Exchange Transactions.**

123. The statement of financial position and Note 16 reflect Current Receivables from Exchange Transactions of Kshs.13,903,546. Ageing analysis of the receivables at note 16 disclose they are due in less than one year. However, the balance as per comparative information shows Kshs.11,974,779 was outstanding in the prior year. Although Management indicated demand notices have been issued to student debtors and the College is developing a credit policy to manage issue of credit, the recoverability of the receivables is in doubt, and no provision has been made in the books for bad and doubtful debts. In the circumstances, the accuracy and recoverability of receivables from exchange transactions of Kshs.13,903,546 could not be confirmed

***Management Response***

124. The management acknowledges the findings of the audit; however, measures have been placed in recoverability of fees due which include but not limited to students paying a percentage of fees for them to qualify for exam sittings, and we have been receiving scholarship funds for previous student debtors and attached are acknowledgement letters and receipt to support the same.

***Committee Observations***

125. The Committee observed that no details has been provided of how much of the receivable of Kshs. 11,974,779 has been recovered to date.

***Committee Recommendations***

126. The Committee therefore recommends that the Accounting Officer should provide an ageing analysis of the receivables as evidence of the amount being due in one year to the auditor within one (1) month of adoption of this report by the House. The Auditor-General shall report on the adequacy of this documentation in the next audit cycle.

### **1.1.22 Budgetary control and Performance**

127. The statement of budgeted versus actual amounts reflects final receipts budget and actual on comparable basis of Kshs.28,816,150 and Kshs.44,546,971 respectively, resulting in over-collection of Kshs.15,730,821, or 55% of the budget. However, Likoni Technical and Vocational College spent a balance of Kshs.21,949,770 against actual receipts of Kshs.44,546,971, resulting in an under-utilization of Kshs.22,597,201 or 51% of actual receipts.
128. The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public. Further no explanation had been provided for the under-utilization.

#### ***Management Response***

129. The management submitted that the budgets are prepared on accrual basis so as the rendering of services – fees from students which accelerated our revenues. There were also monies from sponsors, CDF, HELB and government scholarship funds which are non-budgeted funds.
130. The under-utilization was highly contributed by the low board expenses and repairs incurred during the period. Furthermore, the process of Board formation took longer than expected in that financial year and as a result only one board meeting was conducted as attached.

#### ***Committee Observations***

131. The Committee observed that this issue is recurring from the previous financial year and reiterates its earlier recommendation on the matter.

### **1.1.23 Lack of Value of Money for the Acquisition of Enterprise Resource Planning System**

132. The College entered into a contract with software vendor for the supply and implementation of an Enterprise Resource Planning (ERP) System at a contract sum of Kshs.58, 000, with a monthly subscription fee of Kshs.11,600. Payments for monthly subscription fees totalling Kshs.92,800.00 for an eight-month period was paid to the software company.
133. Examination of the Service Level Agreement (SLA) indicated that the vendor was required to supply and set up the ERP system with various components, including Student Management, Finance and Accounts Management, Academics, Human Resource and Payroll Management, Asset Management, Procurement and Inventory, Workflow Management, Communication Management, Library Management, and Staff Portal/App. However, not all the components were operational at the time of the audit, like Human resource and Payroll management, Workflow management, and Finance accounts management. Only invoicing was functional despite the college continuing to pay the monthly subscription of Kshs. 11,600. Management indicated the college is still in the process of building internal capacity for the system administrator and system users to eventually have all the modules operational.

### ***Management Response***

134. The Management submitted that the Institution has been gradually adopting the use of the software and can now confidently state that the workflow management is operational and the Human resource and payroll is in the process of adoption and the staff capacity is being built gradually.

### ***Committee Observations***

135. The Committee observed that Management is yet to adopt to the complete use of the software.

### ***Committee Recommendations***

136. The Committee therefore recommends that the Accounting Officer should ensure complete implementation and utilization of all ERP modules to realize the intended benefits, and the Auditor-General to report on progress in the next audit cycle.

#### **1.1.24 Failure to Maintain an Imprest Register**

137. The Financial performance and note 9 reflects use of goods and services of Kshs. 15,944,714. The amount includes Kshs.3,152,301 categorized as Travelling and Accommodation allowance. However, the college did not maintain an Imprest Register contrary to Regulation 93(4) (c) of the public finance (National Government), Regulations, 2015 that temporary imprests shall, be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses.

### ***Management Response***

138. The management submitted that the measures were adhered to in ensuring control and accountability in use of funds for official journeys by presenting receipts for all expenses incurred the management has now implemented the use of an Imprest register and evidence is attached herewith for support.

### ***Committee Observations***

139. The Committee observed that the management had availed supporting documentation to the Auditors for verification and the matter was adequately addressed and resolved.

#### **1.1.25 Lack of Substantive Internal Auditor**

140. During the period under review, no internal audit exercise was done contrary to section 73 (4) of the Public Finance Management Act, Cap.412A that requires a national government entity to ensure that internal audits in respect of the entity are conducted in accordance with international best practices.

### ***Management Response***

141. The Management submitted that they are one of the newly established TVC and lacks adequate funds to employ a substantive Internal Auditor. Through the advice from the Ministry, the college will outsource internal auditor from larger/sister organization that is Kenya Coast National Polytechnic or Taita Taveta National Polytechnic.

### ***Committee Observations***

142. The Committee observed that the matter was addressed in the previous financial years and reiterates its recommendation.

#### **1.1.26 Lack of an Internal Audit Work Plan and Failure to Carry out Internal Audit Review**

143. Examination of the college records revealed that the college outsourced an Internal Auditor from Kenya Coast National Polytechnic to undertake an internal audit of the College's operations. However, no plan was provided to show that the internal auditor had done a risk-based internal audit annual plan for the College for the year under review. Failure to provide a strategic plan may result in an inadequate basis of risk assessment of the college contrary to Regulation 170 of the Public Finance Management (National Government) Regulations, 2015. That require Internal audit planning be carried out on the basis of which an annual internal audit unit plan shall be developed.

### ***Management Response***

144. The Management submitted that the audit work plan should be done by an internal auditor who could not carry out the exercise due to workload. The management will ensure that the audit work plan is done and internal audit review carried out in the subsequent years.

### ***Committee Observations***

145. The Committee observed that no evidence of the works of an internal audit was provided.

### ***Committee Recommendations***

146. The Committee recommends that the Accounting Officer should ensure that the internal auditor prepares a risk-based internal audit annual plan for the College and the Auditor-General shall confirm and report on compliance in the next audit cycle.

## **2.0 MATHENGE TECHNICAL TRAINING INSTITUTE**

The Chief principal, Ms. Catherine Gikonyo accompanied by: -

- (i) Mr. Charles Macharia - Finance Officer
- (ii) Ms. Naomi Kingori - Procurement officer

appeared before the Committee to adduce evidence on the audited accounts of Mathenge Technical Training Institute on 30<sup>th</sup> January, 2026 and informed the Committee as follows: -

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

#### **2.1.1 Inaccuracies in the Receivables from Exchange Transactions**

147. The statement of financial position reflects receivables from exchange transactions amounting to Kshs. 75,364,326 as disclosed in Note 17 to the financial statements. The amount is in respect to student arrears for which no provision for bad and doubtful debts was provided hence overstating the receivables. Further, the Aging analysis was not provided to verify the age of the receivables.
148. In the circumstances, the accuracy of the Kshs.75,364,326 of receivables from exchange transaction could not be confirmed.

#### ***Management Response***

149. The Management has acknowledged the issue regarding None provision of long outstanding student debtors. However, the management provided for long outstanding student debtors in the subsequent year.

#### ***Committee Observations.***

150. The Committee observed that the management submitted the supporting documents for audit review and the matter was adequately addressed and resolved.

#### **2.1.2 Unconfirmed Property, Plant and Equipment Balance**

151. The statement of financial position as disclosed in Note 20 to the financial statements reflects a balance of Kshs. 487,688,213 in respect to property, plant and equipment which includes land valued Kshs. 53,400,000. However, as reported in the previous year, the ownership documents for the land were not provided for confirmation. In the circumstances, the accuracy, validity and completeness of the property, plant and equipment balance of Kshs. 487,688,213 could not be confirmed.

#### ***Management Response***

152. The management started the process of obtaining the Institute's land title documents, on 5th June with the Sub DDC Meeting approving the request. On the same day The Sub DDC wrote and requested the Nyeri County Council to facilitate in providing the necessary documentation required in the acquisition of the Title. On 2nd July 2010, The County Council of Nyeri wrote to Commissioner of Lands Nairobi requesting the lands office to sanction the transfer. Since

then, the Management has written numerous letters following up the matter. The latest being 9<sup>th</sup> January 2026. In our position, we have acquired official Search that confirm the existence of the land, ownership status as having being reserved for Mathenge TTI, as well as confirmed acreage.

#### ***Committee Observations***

153. The Committee observed that the management had initiated steps towards acquisition of the title deed.

#### ***Committee Recommendations.***

154. The Committee recommends that the Accounting Officer should liaise with the Ministry of Education, State Department for Technical and Vocational Education and Training, the Ministry of Lands, and other relevant authorities, and secure a title deed for the land within six (6) months of the adoption of this report by the House.

#### **2.1.3 Budgetary Control and Performance**

155. The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs. 252,224,500 and actual revenue on comparable basis of Kshs.165,169,290 resulting to under collection of Kshs. 87,055,209 or 34% of the budget.
156. Similarly, the statement reflects final expenditure of Kshs. 167,834,730 against actual receipts of Kshs. 165,548,66 resulting to over expenditure of Kshs. 2,286,069.
157. The under collection and over expenditure are an indication of a weak budget making process with targets which have conservative forecasts for revenue and expenditure.

#### **Management Response**

158. The management submitted that under-collection of revenue was due to non-remittance of government funding for quarter four and partial remittances by government in quarter 1 to quarter 3. Also, the institute did not attain the targeted number of student's enrolment during the year which is attributed to a significant number of students allocated to MTTI by KUCCPS declining to take up the slots.
159. The management further stated that the overall variance between our actual expenses and actual receipts of Kshs. 2.2 million represents 1.4% of the total receipts. The reasons for the over-expenditure are that at the end of the Financial Year i.e. 30th June occurs while the institute is in its mid-semester (May- August), meaning students were still paying school fees. These funds were subsequently used to settle institute's creditors, who remained within their credit limits by the end of the financial year.

#### ***Committee Observations***

160. The Committee observed that: -

- i. the under-collection of revenue was due to non-remittance of government funding for quarter four and partial remittances by government. The resultant shortfall in anticipated capitation funds was a cross-cutting issue across many institutions.
- ii. there have been efforts by the management to market the Institute more to move away from relying from KUCCPS for placement of students.

#### ***Committee Recommendations***

161. The Committee recommends that the Accounting Officer should strategize on active recruitment students and not solely rely on the KUCCPS.
162. Further, that the Accounting Officer should implement strategies for internal income generation to lessen dependence on capitation grants.

#### **2.1.4 Lack of Staff Ethnic Diversity**

163. As reported in the previous financial year, records provided revealed that the College had 92 employees as of 30 June 2023, out of which 68 or 73% were from one dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N, which states 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 the Law.

#### **Management Response**

164. The management submitted that the issue of staff Ethnicity imbalance has been historical. Sizable number of current employees were employed long before the current constitution came into place. The institute is committed to complying with the provision of the constitution in its day-to-day activities. To help Institution comply with the law, the Institute has updated the Human Resources Policy to emphasize diversity and inclusivity in our recruitment processes. Moving forward, preferences will be given to candidates from different ethnic groups during recruitment, provided they meet the established pass mark in the interview. This policy aims to promote a more balanced and representative workforce, in line with statutory requirements.

#### ***Committee Observations***

165. The Committee observed that the amended Human Resource Policy currently in place gives more guidelines that is tilted to addressing the ethnicity gap during recruitments.

#### ***Committee Recommendations***

166. The Committee recommends that the Accounting Officer should ensure compliance with Section 7(2) of the National Cohesion and Integration Act, Cap. 7N within two years.

#### **2.1.5 Employment of Unlicensed trainers.**

167. Note 11 to the financial statements reflects employee costs of Kshs. 33,968,857 for the year ended 30 June, 2023. During the year under review, the College had ninety-two (92) members of staff out of which sixty-three (63) were trainers. However, forty-six (46) trainers were not

licensed and registered by the Board. This was contrary to Regulation 16(1) of the Technical and Vocational Education and Training Regulations, 2015, which requires that any person who intends to become a trainer in a TVET institution should apply to the Authority for a trainers' License where the trainer has the training qualifications. In the circumstances, Management was in breach of the law.

### **Management Response**

168. The management submitted that historically, the College has prioritized employing registered trainers. However, in cases of trainers transfers by PSC, exit, or staff retirement mid-term, the Institute is forced to hire competitive unlicensed trainers due to the none availability of licensed trainers in market required under short notice. The Institute often employs unlicensed trainers on short-term contracts, typically for three months, to ensure continuity of training and minimize disruptions to learning.
169. For the current year, all trainers under contract are actively encouraged to apply for the necessary licenses. We recognize that the licensing process can take some time; hence, we are working closely with the relevant authorities to expedite this process. Additionally, delays in the replacement of trainers by the Public Service Commission (PSC) have sometimes necessitated engaging available trainers without licenses to maintain uninterrupted training. Please find current list of BOG Trainers and the status of their registration NB. Only three are yet to receive their certificates.

### **Committee Observations**

170. The Committee observed that: -
- i. there was employment of unlicensed trainers in the institution contrary to Regulation 16(1) of the Technical and Vocational Education and Training Regulations, 2015.
  - ii. The management reported that over 90% of the trainers are registered with TVETA Authority. The remaining 10% are either awaiting registration or are already enrolled for Pedagogy.

### **Committee Recommendations**

171. The Committee recommends that: -
- i. The Public Service Commission should deploy competent trainers to the institution.
  - ii. The Technical and Vocational Education and Training Authority should regularize the certification of the Trainers in accordance with Regulation 16(1) of the Technical and Vocational Education and Training Regulations, 2015.

#### **2.1.6 Lack of Board Evaluation reports and Charter.**

172. The management submitted that the Board of Directors performance, evaluation reports and approved Charter were provided through minutes dated 4th August 2022. However, the board evaluation did not follow the criteria and methodology provided by Mwongozo Code of

Governance as provided. The Institution need to set criteria and methodology for evaluation of the board as provided by Mwongozo code of governance and provide report there on.

173. The Charter would have defined the roles and responsibilities of the board members. In the circumstances, it was not possible to confirm existence of an effective overall governance measures at the Institution.

#### **Management Response**

174. The management submitted that a criteria and methodology for board evaluation in line with Mwongozo code of governance has since been set. The Institution carried board evaluation 5th December 2025 and are awaiting the reports from the ministry.

#### ***Committee Observations.***

175. The committee observed that the management submitted supporting evidence confirming the setting of the criteria and methodology for board evaluation which was verified by the auditors and the matter was adequately addressed and resolved.

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

#### **2.1.7 Lack of Ownership Documents.**

176. The statement of financial position reflects Property Plant and Equipment balance of Kshs. 473,307,197 and as disclosed in Note 20 to the financial statements which includes land valued at Kshs.53,400,000. However, as reported in the previous year, the ownership documents for the land were not provided for audit. In the circumstances, completeness, accuracy and ownership of property, plant and Equipment balance could not be confirmed.

#### **Management Response**

177. The management submitted that as responded in the 2022-2023 Responses, the management started the process of obtaining the Institution's land title documents, on 5th June Cap.7N with the Sub DDC Meeting approving the request. On the same day The Sub DDC wrote and requested the Nyeri County Council to facilitate in providing the necessary documentation required in the acquisition of the Title. On 2nd July 2010, The County Council of Nyeri wrote to Commissioner of Lands Nairobi requesting the lands office to sanction the transfer. Since then, the Management has written numerous letters following up the matter. The latest being 9th January 2026. In our position, we have acquired official Search that confirm the existence of the land, ownership status as having being reserved for Mathenge TTI, the allotment Letter as well as confirmed acreage.

#### ***Committee Observations***

178. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **2.1.8 Budgetary Control and Performance**

179. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 267,851,640 and Kshs. 179,601,901 respectively, resulting to an under-funding of Kshs. 88,249,739 or 33% of the budget. The under-funding affected the planned activities and may have impacted negatively on the service delivery to the intended College beneficiaries.

**Management Response.**

180. The management submitted that the underfunding primarily resulted from the low capitation received from the government during the year under review. The Institute had expected to receive Ksh. 76,365,000 in form of Government Capitation and Sponsorships. However, the Institute received only Ksh. 44,790,317/ Resulting to a deficit of Ksh. 31,574,683 under Statement of Comparison of Budget and Actual Amounts and Approved Budget for the Year ended 30th June 2024.

181. Additionally, out of expected 6,242 annual students' enrolment, only 4,938 were actually enrolled as seen in the report from Registrar office. The deficit of 1,304 students were mainly those placed to Mathenge TTI by KUCCP but declined to take up the slots. To address this funding gap in the future, management is undertaking aggressive marketing initiatives and innovative strategies by enhancing the budget for marketing department. Additionally, we have increased more market-driven courses such as Beauty and Cosmetology, offering short-term courses and aligning training opportunities with current market demands.

**Committee Observations.**

182. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**2.1.9 Unresolved Matter from Prior Years**

183. Various prior year audit issues 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 remained unresolved as at 30 June, 2024.

**Management Response**

184. The management submitted that all the audit findings from the previous year had been addressed, as detailed in the 2022/2023 responses.

**Committee Observations.**

185. The Committee observed that the management had submitted responses to the prior year matters and reiterates its recommendations

**2.1.10 Non-Compliance with Law on Ethnic Composition**

186. Review of the personnel records and staff establishment revealed that the Institute had a total of fifty-three (53) employees as at 30 June, 2024, out of which, forty-three (43) (81%) were

from the dominant ethnic community. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, Cap. 7N which states that, no public establishment shall have more than one third of its staff from the same ethnic community.

#### **Management Response**

187. The management submitted that as observed in previous responses, the issue of staff Ethnicity imbalance has been historical. Sizable number of current employees were employed long before the current constitution came into place. The institute is committed to complying with the provision of the constitution in its day-to-day activities.
188. To help Institution comply with the law, the Institute has updated the Human Resources Policy to emphasize diversity and inclusivity in our recruitment processes. Moving forward, preferences will be given to candidates from different ethnic groups during recruitment, provided they meet the established pass mark in the interview. This policy aims to promote a more balanced and representative workforce, in line with statutory requirements

#### ***Committee Observations.***

189. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **2.1.11 Failure to carry out Training Needs Assessments**

190. The Management did not carry out training needs assessments during the financial year under review contrary to Public Service Human Resource Policies 2016 H3 (1) which states that training needs assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organization from attaining its objectives. Training in the Public Service shall be based on training needs assessment which shall be conducted after every three (3) years in each State Department, In the circumstances, Management was in breach of the public service human resource policies.

#### **Management Response**

191. The management submitted that they had noted the gap and subsequently ensured Training needs Assessment have been done in adherence to Public Service Human Resource Policies 2016 H3 (1).

#### ***Committee Observations.***

192. The Committee observed that the matter has been adequately addressed and marked it as resolved.

#### **2.1.12 Employment of Unlicensed trainers.**

193. Mathenge Technical Training Institute had sixty-four (64) members of trainers out of which forty-six (46) trainers were not licensed and registered by the Technical and Vocational Education and Training Authority. However, even though the Management submitted that

most of the unlicensed trainers have already registered with TVETA and that they are awaiting for the registration number to be issued, the Management did not comply with Section 23 of the Technical and Vocational Training Act, Cap.210A and Regulation 16. (1) of the Technical and Vocational Education and Training Regulations,2015. In the circumstances, Management was in breach of the law.

194. As noted in the previous Responses historically, the College has prioritized employing registered trainers. However, in cases of trainers transfer by PSC, exit, or staff retirement mid-term, the Institute is forced to hiring competitive unlicensed trainers due to the challenges associated with recruiting licensed trainers on short notice. The Institute often employs unlicensed trainers on short-term contracts, typically for three months, to ensure continuity of training and minimize disruptions to learning.

#### **Management Response**

195. The management submitted that the gap had been noted and subsequently they had ensured Training needs Assessment was done in adherence to Public Service Human Resource Policies 2016 H3 (1). The TNA for Trainers, Procurement, Finance, and Internal Auditor Departments respectively was provided for audit review.

#### ***Committee Observations***

196. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **2.1.13 Employment of Unlicensed trainers.**

197. Mathenge Technical Training Institute had sixty-four (64) members of trainers out of which forty-six (46) trainers were not licensed and registered by the Technical and Vocational Education and Training Authority. However, even though the Management submitted that most of the unlicensed trainers have already registered with TVETA and that they are awaiting for the registration number to be issued, the Management did not comply with Section 23 of the Technical and Vocational Training Act, Cap. 210A and Regulation 16. (1) of the Technical and Vocational Education and Training Regulations 2015. In the circumstances, Management was in breach of the law.

#### ***Committee Observations.***

198. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **2.1.14 Lack of Information, Communication and Technology (ICT) Environment**

199. Audit review of the Institute's ICT environment revealed that the Institute did not have did not have an information Technology steering committee for ensuring effective IT controls and strategies. Further the Institutions' copies of Information Technology (IT) continuity plan and disaster recovery plan are not kept in off-site. Further, the Institute does not have an approved

IT strategic plan. In the circumstances, the security and reliability of the Institute's data including its information system could not be ascertained

**Management Response.**

200. The Management submitted that they appointed an information Technology steering committee for ensuring effective IT controls and strategies. They attached please find the appointment letters for the members and minutes for the meetings.
201. The Management further stated that due to high cost involved in acquiring the cloud spaces, the management has taken action in ensuring Information Technology (IT) continuity plan and disaster recovery plan is kept in off-site through google drive space that has helped the management secure data in a different site other than the physical server. The Institute management has developed both IT strategic plan and ICT Policy.

**Committee Observations**

202. The Committee observed that the matter has been adequately addressed and marked it as resolved.

**2.1.15 Un surrendered Imprest**

203. The statement of financial position and as disclosed in Note 16 to the financial statements reflects cash and cash equivalents balance of Kshs.29,591,236. The balance includes outstanding imprests amount of Kshs.688,825 out of which a balance of Kshs. 144,785 was issued between 27, March 2023 and 05 June, 2024 and ought to have been surrendered by 30 June, 2024. This was contrary to Regulation 93(5) of the Public Finance Management (National Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station. In the circumstances, the existence of effective imprest management could not be confirmed.

**Management Response.**

204. The management submitted that they had subsequently ensured that all the uncleared imprests were surrendered and accounted for and none is outstanding. To help improve on prompt surrendering of imprests, the management together with our ERP developer installed an Imprest Management Module within the system that is able to track imprest holders and surrender dates, as well as denying any additional application unless one has cleared the previous ones.

**Committee Observations.**

205. The Committee observed that all the outstanding Imprests were surrendered and accounted for and the supporting documents provided and verified by the Auditors thereby resolving the matter.

### **2.1.16 Irregularities in the Management of the Board**

206. The following irregularities were noted in the management of the Board: -

#### **2.1.16.1 Failure to Conduct Annual Performance Appraisals and Governance**

207. Audit for Board of Governors During the year under review, the annual board evaluation was not conducted contrary to Mwongozo 2015, Chapter 1(4) which states that, the performance of the board, its committees and individual directors should be evaluated annually. Further, The Board also failed to carryout regular governance audits as guided by the Board Charter of July 2023.

#### **Management Response.**

208. The management submitted that the Institute has since set a criteria and methodology for board evaluation in line with Mwongozo code of governance. The Institution carried board evaluation on 5<sup>th</sup> December 2025 and are awaiting the reports from the ministry.

#### **Committee Observations.**

209. The committee observed that the matter has been satisfactorily addressed by setting a criteria and methodology for board evaluation in line with Mwongozo code of governance.

#### **2.1.16.2 Succession Planning**

210. It was noted that out of nine board members serving on the previous Board, their term expired at the same time September 2022 with none being renewed. The Institution had to wait for more than three months for appointment of their replacement. Additionally, all incoming Board members were appointed In January 2023 contrary to Chapter 1.14 of Mwongozo; the appointing authority should ensure that the tenure of Board Members is staggered to ensure a phased transition.

#### **Management Response**

211. The management submitted that during the nomination of the current Board of Governors, the nomination committee of the Institute proposed the reappointment of certain members who had served one term on the previous board to ensure a smooth transition and support succession planning. However, the appointing authority, the office of the CS, did not confirm these nominations. Attached is the list of board members who were nominated but not appointed.

#### **Committee Observations.**

212. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendation.

#### **2.1.16.3 Revocation of Appointment of a Board Member**

213. A review of appointment letters for the Board of Governors revealed that the members were appointed on 18<sup>th</sup> January, 2023. A further review of minutes and attendance register for the

Board and committee meetings revealed that one Board member did not attend any of the meetings during the financial year under review. This was contrary to the Second schedule under Section 9 (e) of the TVET Act, Cap. 210A which states that revocation can be done when a member has been absent from three consecutive meetings of the Board of Governors without leave. In the circumstances, the effectiveness of the oversight role of the Board could not be confirmed.

**Management Response.**

214. The Management submitted that the Accounting officer notified the board, about the absentee member. The Board requested The County Director Nyeri (Who sits in the Board as PS Representative) to forward the request for replacement to the Office of the CS Ministry of Education. Consequently, the ministry appointed Mr. John Ndirangu on 8<sup>th</sup> March 2024 to join the Mathenge TTI Board of Governors.

**Committee Observations.**

215. The Committee observed that a replacement had already been done thereby addressing the matter.

**Audited statements for Financial Year 2024/25 (Unmodified Opinion)**

**2.1.17 Non-Compliance with Law on Ethnic Composition**

216. Review of the personnel records and staff establishment revealed that the Institute had a total of fifty-three (53) employees as at 30 June, 2024, out of which, forty-three (43) (81%) were from the dominant ethnic community. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, Cap.7N which states that, no public establishment shall have more than one third of its staff from the same ethnic community.

**Management Response**

217. The management submitted that as observed in previous responses, the issue of staff Ethnicity imbalance has been historical. Sizable number of current employees were employed long before the current constitution came into place. The institute is committed to complying with the provision of the constitution in its day-to-day activities. To help Institution comply with the law, the Institute has updated the Human Resources Policy to emphasize diversity and inclusivity in our recruitment processes. Moving forward, preferences will be given to candidates from different ethnic groups during recruitment, provided they meet the established pass mark in the interview. This policy aims to promote a more balanced and representative workforce, in line with statutory requirements.

**Committee Observations.**

218. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **3.0 NKABUNE TECHNICAL TRAINING INSTITUTE**

The Principal, Ms. Penina Ngili Musili, was accompanied by;

- (i) Doris Kinya Zachary - Finance Officer
- (ii) Ms. Miriam Kainyu -Procurement office

appeared before the Committee to adduce evidence on the audited accounts Nkabune Technical Training Institute, on 30<sup>th</sup> January, 2026 and informed the Committee as follows:-

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

##### **3.1.1 Inaccuracy in Cash and Cash Equivalents**

219. The statement of financial position reflects a cash and cash equivalents balance of Kshs. 21,395,045. However, review of the bank reconciliation statements, cash books and bank statements for the months of May and June 2023 reveals that cheques totalling Kshs. 2,570,041 issued from 29 December, 2022 and earlier years, were more than 6 (six) months old and had therefore become stale but had not been written back in the cash book. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs. 21,395,045 could not be confirmed.

##### **Management responses**

220. The management submitted that it had corrected the bank reconciliation statement. The cheques had already been cleared by bank. They remained in the bank reconciliation statement erroneously.

##### **Committee observations.**

221. The Committee observed that the bank reconciliation statement had been corrected and verified by the Office of the Auditor General and the matter was adequately addressed and resolved.

##### **3.1.2 Budgetary Control and Performance**

222. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 164,304,050 and Kshs. 135,971,351 respectively resulting to underfunding of Kshs. 28,332,699 or 17% of the final receipt budget. Similarly, the Institute spent Kshs. 165,972,162 against actual receipts of Kshs. 135,971,351 resulting in an over-utilization of Kshs. 30,000,811 or 22% of the actual receipts. The underfunding affected the implementation of the planned activities and may have impacted negatively on service delivery to the public.

##### **Management Response**

223. The management submitted that over utilization was realized because of late receipt of money for NYS sponsored trainees.

***Committee Observations.***

224. The Committee observed that this was related to the delayed disbursement of capitation by the Ministry of Education and National Treasury.

***Committee Recommendations***

225. The Committee recommends that the Ministry of Education and National Treasury should disburse capitation without any undue delay. Further, that the Accounting Officer should explore alternative revenue generation measures to supplement the institutions income.

**3.1.3 Weakness in the System of Internal Control Over Student Debtors**

226. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs. 96,421,073 which includes student debtors balance of Kshs. 96,238,173 as disclosed in Note 19 to the financial statements. However, ageing analysis was not disclosed and the Management-approved policy on management of debts was not provided for review. In the absence of ageing analysis and policy on management of debts, the Institute may incur losses in the form of uncollected debts.

**Management response**

227. The Management submitted that in response to this it has currently provided the students aging analysis in which recoverable debts can be identified. An approved debt management policy which provides guidance on how the debts can be recovered and how identified irrecoverable debts can be written off was submitted for audit review.

***Committee Observations.***

228. The Committee observed that the management availed an ageing analysis and an approved debt management policy for audit verification and the matter was adequately addressed and resolved.

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

**3.1.4 Misstatement in Cash and Cash Equivalents**

229. The statement of financial position reflects cash and cash equivalents balance of Kshs. 4,681,975 which includes a balance of Kshs. 302,297 held in a commercial bank as disclosed in Note 18 to the financial statements. Review of the bank reconciliation statement for the account revealed unpresented cheques amounting to Kshs. 471,172 that had lasted more than six (6) months and had therefore become stale. However, for unexplained reasons, the stale cheques were not written back to the cash book. In the circumstances, the accuracy of cash and cash equivalents balance of Kshs. 471,172 could not be confirmed.

### **Management responses**

230. The Management submitted that it had written back the stale cheques to the cashbook in the subsequent year.

#### ***Committee Observations***

231. The Committee observed that the management had written back the stale cheques to the cashbooks in the subsequent year and the matter was adequately addressed and resolved.

### **3.1.5 Long Outstanding Receivables from Exchange Transactions**

232. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs. 125,352,373 which includes student debtors balance of Kshs. 125,268,373 as disclosed in Note 19 to the financial statements. However, the students' debtors had been outstanding for over three hundred and Sixty (360) days.
233. In addition, although Management provided for bad and doubtful debts, the provision may not be sufficient since there is no evidence of previous recoveries of the debts. Further, the Institute does not have an approved debt management policy to provide guidance on how the debts may be recovered and how much or what percentage of provisions should be made for bad and doubtful debts. In the circumstances, the accuracy and recoverability of student debtors balance of Kshs. 125,268,373 could not be confirmed.

#### **Management Response**

234. The management submitted that they had put in place the debt management policy which provide guidance on how the debts will be recovered.

#### ***Committee Observations.***

235. The Committee observed that an approved debt management policy was availed for audit verification the matter was adequately addressed and resolved.

### **3.1.6 Budgetary Control and Performance**

236. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs. 163,176,960 and Kshs. 128,826,750 respectively resulting to an under-funding of Kshs. 34,350,210 or 21% of the budget. Similarly, the Institute spent Kshs. 144,652,702 against actual receipts of Kshs. 128,826,750 resulting to an over-utilization of Kshs. 15,825,952 or 12% of the actual receipts. The under-funding affected the planned activities and may have impacted negatively.

#### **Management Response**

237. The management submitted that over utilization was realized because of late receipt in the institution, while the underfunding was caused by delayed disbursement of fund by the government.

***Committee Observations.***

238. The Committee observed that the matter relates to the underfunding that was as a result of delayed disbursement of fund by the government and reiterates its recommendation from the previous financial year.

**3.1.7 Non-Compliance with Law on Staff Ethnic Composition**

239. Review of the Institute's payroll records revealed that twenty-nine (29) or 85% out of the 34 non-teaching staff, twenty-seven (27) or 73% of the thirty-seven (37) BOG teaching and twenty-five (25) out of sixty-six (66) of Public Service Commission trainers belonged to the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N which states that all public offices shall seek to represent the diversity of people of Kenya in employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. In addition, all the cadres were taken up by the dominant ethnic group. In the circumstances, Management was in breach of the law.

**Management Response.**

240. Nkabune Technical and Training Institute acknowledged the observation regarding non-compliance with the National Cohesion and Integration Act, Cap.7N on staff ethnic composition. Management recognizes the importance of promoting diversity and equitable representation in accordance with the Constitution of Kenya, 2010. Management will make deliberate effort to ensure compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N during any recruitment. This will consider ethnicity diversity merit and fair completion in all recruitment exercises.

***Committee Observations.***

241. The Committee observed that the institution was operating contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N.

***Committee Recommendations.***

242. The Committee recommends that the Accounting Officer should make deliberate effort to ensure compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N within a period of two years.

**3.1.8 Failure to Dispose of Obsolete Assets**

243. The statement of financial position as disclosed under Note 22 to the financial statements reflects a balance of Kshs. 523,005,940 in respect of property, plant and equipment. However, review of the asset registers and physical verification conducted in the month of March, 2025 revealed various assets which were either faulty and unserviced, unserviceable or obsolete. This was contrary to Section 164 (1) of the Public Procurement and Asset Disposal Act, Cap.412C which stipulates that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the disposal

committee through the head of procurement function. In the circumstances, Management was in breach of the law.

#### **Management Response**

244. The management submitted that in response to this, they had disposed unserviceable, obsolescent, obsolete and surplus assets in the subsequent year.

#### ***Committee Observations***

245. The Committee observed that minutes and reports of disposal team confirming that the obsolete assets were disposed were availed and reviewed by the auditors, thereby addressing the matter.

### **3.1.9 Failure to Stagger Appointment and Re-appointment of Members of Board of Governors**

246. The statement of financial performance as disclosed in Note 13 to the financial statements, reflects Kshs. 3,419,500 in respect of board expenses. However, review of file of Members of Board of Governors revealed that Cabinet Secretary's appointment of members of the Board of Governors was done on the same date of 18 January, 2023. This was contrary to Section 7(2) of the Technical and Vocational Education and Training Act, 210A which requires that the Cabinet Secretary, the appointment or re-appointment of Members of Board of Governors, stagger the commencement dates to ensure continuity in the affairs of the board. In the circumstances, terms of all the appointed members would expire at the same time thereby significantly jeopardizing continuity in the affairs of the Board.

#### **Management response**

247. The management submitted that the responsibility for ensuring staggered appointments rests with the cabinet secretary.

#### ***Committee Observations.***

248. The Committee observed that the mandate of appointments of Board Members lies with Cabinet Secretary for Education in tandem with the provisions of TVET Act, Cap. 210A.

#### ***Committee Recommendations.***

249. The Committee recommends that the Cabinet Secretary for Education should ensure that the commencement dates for Members appointed or re-appointed to the Board of Governors are staggered to ensure continuity in the affairs of the board and in line with Section 7(2) of the Second Schedule of the Technical and Vocational Education and Training Act, Cap. 210A.

## **Audited statements for Financial Year 2024/2025 (Qualified Opinion)**

### **3.1.10 Long Outstanding Receivables from Exchange Transactions**

250. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs. 393,650,927 as disclosed in Note 19 to the financial statements. This reflects an increase of Kshs. 268,298,554 or 214% as reported in the prior year. However, the students' debtors had been outstanding for over three hundred and Sixty (360) days. In addition, although Management provided for bad and doubtful debts, the provision may not be sufficient since there is no evidence of previous recoveries of the debts. Further, the Institute did not have an approved debt management policy to provide guidance on how the debts may be recovered and how much or what percentage of provisions should be made for bad and doubtful debts. In the circumstances, the accuracy and recoverability of student debtors balance of Kshs.393,650,927 could not be confirmed.

#### **Management Response**

251. The management submitted that the increase in debts was as a result of increase in trainee's enrolment.

#### ***Committee Observations.***

252. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **3.1.11 Budgetary Control and Performance**

253. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 404,884,890 and Kshs. 206,787,816 respectively resulting to an under-funding of Kshs. 198,097,074 or 49% of the budget. Similarly, the Institute spent Kshs. 198,444,508 against actual receipts of Kshs. 206,787,816 resulting to an under-utilization of Kshs. 8,343,308 out of the actual receipts.

#### **Management Response**

254. The management submitted that under funding was due to delayed disbursement of scholarship funds. Also, there were late receipt of funds in the year under review that were carried forward in the following year and captured in the current year budget.

#### ***Committee Observations.***

255. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **3.1.12 Delayed Disbursement of Student Capitation Funds**

256. Review of student capitation funds disbursement schedules provided for audit revealed that Nkabune Technical Training Institute received less than the allocated amount of funds. The funds released for the year under audit is Kshs. 43,196,798 out of Kshs. 52,830,71 for a

population of one thousand, four hundred and forty (1,440) eligible trainees resulting in outstanding balance of Kshs. 9,633,913 relating to the financial year ending 30 June, 2025. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

**Management Response.**

257. The management submitted that under funding was because of delayed disbursement from the Ministry.

**Committee Observations.**

258. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**3.1.13 Non - Compliance with the Law on Staff Ethnic Composition**

259. During the year under review, twenty-eight (28) or 90% out of the thirty-one (31) non-teaching staff, nineteen (19) or 73% of the twenty-six (26) BOG teaching, twenty-five (25) or 66% out of fifty-eight (58) of Public Service Commission trainers and twenty-five (25) or 66% Interns belonged to the dominant ethnic community in the County. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, Cap.7N which states that all public offices shall seek to represent the diversity of people of Kenya in employment of staff and 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 the law.

**Management Response**

260. Nkabune Technical and Training Institute acknowledged the observation regarding non-compliance with the National Cohesion and Integration Act, Cap. 7N on staff ethnic composition. Management recognizes the importance of promoting diversity and equitable representation in accordance with the Constitution of Kenya, 2010. Management will make deliberate effort to ensure compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N during any recruitment. This will consider ethnicity diversity merit and fair completion in all recruitment exercises. Currently the dominant ethnic community is at 56%.

**Committee Observations.**

261. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **3.1.14 Failure to Stagger Appointment and Re-appointment of Members of Board of Governors**

262. The statement of financial performance as disclosed in Note 13 to the financial statements, reflects an amount of Kshs. 5,846,000 in respect of Board expenses. However, as previously reported, review of files of Board of Governors revealed that all Members of the Board were appointed on 18 January, 2023 contrary to Section 7(2) of the Technical and Vocational Education and Training Act, Cap.210A which mandates the Cabinet Secretary to stagger the commencement dates to ensure continuity in the affairs of the Board when appointing or re-appointing Members of Board of Governors. In the circumstances, Management was in breach of the law.

#### **Management response**

263. The Management in this response stated that the responsibility for ensuring staggered appointments rests with the cabinet secretary.

#### ***Committee Observations.***

264. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **3.1.15 Non – Compliance with the Public Procurement Capacity Building Levy Order**

265. Review of records revealed that the Institute entered into contracts but no documentary evidence has been provided to confirm that the Institute complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20<sup>th</sup> day of the subsequent month and also file monthly returns. In the circumstances, management was in breach of the law.

#### **Management response**

266. The Management submitted that their attention was drawn to the circular about the Public Procurement Capacity Building Levy Order. The management confirmed commitment to comply with the public procurement capacity building levy in future.

#### ***Committee Observations.***

267. The Committee observed that no documentary evidence was provided to confirm that the Institute complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity.

***Committee Recommendations.***

268. The Committee recommends that the Accounting Officer should ensure compliance with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023, deduct the Public Procurement Capacity Building Levy and remit to the Public Procurement Regulatory Authority (PPRA). The OAG should confirm the compliance in the next audit cycle.

#### **4.0 RIRAGIA TECHNICAL AND VOCATIONAL COLLEGE**

269. The Principal, Dr. Paul Makori accompanied by the following:

- (i) Mr. Peterson Ogwara - Finance Officer
- (ii) Ms. Beryl Mainga - Procurement Officer

appeared before the Committee to adduce evidence on the audited accounts Nkabune Technical and Vocational College, on 30th January, 2026.

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

##### **4.1.1 Unsupported Revenue from Rendering of Services.**

270. The statement of financial performance reflects rendering of services amount of ksh.5,038,982 which comprised of tuition fees, activity fees and examination fees of ksh.4,119,552, ksh.183,784 and ksh.735,646 respectively, as disclosed in note 7 to the financial statements. However, the supporting ledger schedules were not provided for audit review.

##### **Management Response**

271. The Management submitted that the supporting documents were available but the finance officer was not able to retrieve it since it was misfiled. However, all the schedules supporting the values in the report was completed later and they are attached for perusal.

##### ***Committee Observations.***

272. The Committee observed that the matter had been adequately addressed, as the schedules supporting the reported values were submitted to and verified by the Auditors, thereby resolving the issue.

##### **4.1.2 Property, plant and Equipment**

273. The statement of financial position, and as disclosed in note 17 to the financial statements, reflects property, plant and equipment balance of Ksh 302,843,987. However, the following unsatisfactory matters were observed.

##### **4.1.2.1 Land and buildings without ownership documents and value**

274. The balance of Ksh302,843,987 includes the net value of land and buildings of Ksh 102,363,987. however, management indicated that the college did not have ownership documents for the land and that the process of obtaining the title deed had been hampered by the court case. Further, evidence showing the historical costs of the buildings were not provided for audit. The Management submitted that Keroka TTI under whose mentorship the building was constructed had not handed over the building to the college.

##### **Management response**

275. The management submitted that the land was allotted to the institution by the Kisii municipality in earlier years, but formal ownership documents have not been fully

processed. The process of getting land title deed was basically hampered by a court case that was active in Kisii law courts. The documents indicating the progress of the case then is attached herein. At one time the college paid facilitation fees through Kabete National polytechnic to be assisted in demarcation and title deed processing, but unfortunately no results were realized. However, the case has been resolved hence allowing the commencement of processing the title deed.

#### ***Committee Observations***

276. The Committee observed that an ongoing court case had hampered the process of retrieving the title deed. However, the case has been resolved, allowing the processing of the title deed to commence.

#### ***Committee Recommendations.***

277. The Committee recommends that the Accounting Officer should initiate the formal application process for the title deed and a status report provided to the Office of the Auditor General for review in the next audit cycle.

#### **4.1.2.2 Unconfirmed value of Assets donated by the Ministry of Education.**

278. The property plant equipment balance further includes net book values of Ksh 420,000, Ksh 60,000 and Ksh 200,000 for furniture and fittings, computers and plant and equipment respectively. Review of records revealed that the assets donated by the ministry of education in the financial year 2020/2021. However, documents from the ministry showing the historical costs of the assets or valuation reports supporting the balances were not provided for auditing.

#### **Management Response**

279. The management submitted that the donated assets were received and put into use, but valuation certificates were not provided at the time of handover. The only document received was Delivery certificate and was written in Chinese language. however currently valuation expense has been captured in the budget to allow management to solicit funds from the ministry of Education to assist in valuation.
280. The Committee observed that the institution had received assets donated by the Ministry of Education but had not provided the historical costs or valuation reports necessary to support the balances for audit purposes. The management further stated that after soliciting funds, the values given by the valuer will be adopted in the next year's financial report i.e. 2025-2026 either as a revaluation gain or revaluation loss. The delivery certificate and budget extract for valuation is attached for confirmation.

### ***Committee Observations***

281. The Committee observed that the institution had received assets donated by the Ministry of Education but had not provided the historical costs or valuation reports necessary to support the balances for audit purposes.

### ***Committee Recommendations***

282. The Committee recommended that the management should conduct valuation of the assets and the Auditor General should report in the next audit cycle.

### **4.1.3 Accuracy of the statement of comparison of Budget and Actual Amounts.**

283. Review of the statement of comparison of budget and actual amounts revealed the following errors under performance difference column.
- i. The statement reflects Kshs nil amount against other income, instead of the correct difference of Kshs (98,220)
  - ii. The statement reflects a finance costs amount of Kshs nil, instead of the correct difference of Kshs (31,068)
  - iii. The statement reflects remuneration of director's performance difference of Kshs 264,000, instead of the recomputed difference of Kshs 259,000.
  - iv. As a result of the above errors the statement reflects total expenditure and deficit for the period performance difference of Kshs 14,956,584 and Kshs (2,870,063) respectively, instead of the recomputed, correct difference of Kshs 14,925,516 and Kshs (3,234,718) respectively.
284. The statement does not indicate utilization difference (%) against total expenditure.

### **Management Response**

285. The management submitted that all the errors mentioned had been noted and improvement will be evident in the subsequent years. However, a review committee would be formed at every end of financial year to assist in proof reading the report to minimize chances of errors.

### ***Committee Observations.***

286. The Committee observed that there were errors in the financial statements presented by the institution.

### ***Committee Recommendations.***

287. The Committee recommends that the Accounting Officer should: -
- i. ensure the financial statements are restated to present the correct position and the Office of the Auditor-General confirm compliance in the next audit cycle.
  - ii. ensure that the Institution complies with Section 68(2) of the Public Finance Management Act (Cap. 412A) by maintaining financial and accounting records in accordance with the provisions of the Act.

#### **4.1.4 Budgetary control and performance**

288. The statement of comparative budget and actual amounts revenue budget and actual on comparative basis of Kshs 24,226,000 and Kshs 12,535,202 respectively, resulting to under-collection of ksh11,690,798 or 48% of the budget. Similarly, the college spent Kshs 9,300,484 against an approved budget of Kshs 24,226,000, resulting to an under expenditure of Kshs 14,925,516 or 62% of the budget.
289. The under collection and under expenditure constrained implementation of planned activities of the college and may have impacted negatively on service delivery to the students and other stakeholders of the college.

#### **Management Response:**

290. The management submitted that the under-collection of fees was as a result of the following reason; the government did not release all the monies as capitation and HELB loans as budgeted for. Further, the under- expenditure was as a result of under-collection of revenue as indicated above.

#### **Committee Observations**

291. The Committee recommends that the parent Ministry and the National Treasury should disburse capitation to the institution in a timely manner. Further, the institutions should come up with its own income generating activities to avoid over reliance on governance capitation.

#### **4.1.5 Unresolved Prior Year Matter.**

292. In the audit report of the previous year several issues were raised under the report on financial statements and report on lawfulness and effectiveness in use of public resources. However, management has not provided reasons for the delay in resolving the prior year audit issues. Further the unresolved prior year issues are not disclosed under the implantation status of the Auditor General recommendations section of the financial statements as required by the public sector Accounting Standards Board.

#### **Management Response**

293. Management acknowledged the observation and stated that the most of the prior year's audit issues required money to be resolved. The management has tried hard to resolve a few issues that are manageable. However, those issues that the management have not resolved require more time and resources to be resolved. For instance, management has solved a number of issues e.g. Deduction and submissions of statutory deductions, Tagging of Assets, pursuing for completion of land court case etc.
294. The management has noted the omission of prior year matters in the report in the financial report. However, in the following year it was addressed as evident in 2022-2023 Financial report.

***Committee Observations.***

295. The Committee observed that the management omitted prior year matters in the financial report.

***Committee Recommendations.***

296. The Committee recommends that the Accounting Officer adheres to Section 68(2)(1) of the Public Finance Management (PFM) Act, Cap.412A, which requires an accounting officer to take appropriate measures to resolve any issues arising from audit which may remain outstanding.

**4.1.6 Non- compliance with the law on Ethnic Diversity in Staffing.**

297. Review of human resource records revealed that the college had a total of twenty-three employees out of which 15 or 65% were from one ethnic community. This is contrary to section 7(1) and section 7(2) of the National Cohesion and Integration Act, Cap. 7N which requires all public establishments to seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment should have more than one third of its staff from the same ethnic community.

**Management Response**

298. The management submitted that indeed most of the employees were casuals who were engaged on inception by the mentor institution, but later in the subsequent years the problem will be gradually resolved since management is intending to employ other essential staffs i.e. Human Resource officer, Internal Auditor and workshops technicians which will onboard people from all ethnic diversity. The Board of Governors minute allowing employment and Budget extracts for the positions are attached for your confirmation.

***Committee Observations.***

299. The Committee observed that the institution was acting is contrary to section 7(1) and section 7(2) of the National Cohesion and Integration Act, Cap. 7N

***Committee Recommendations.***

300. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments as stipulated under Article 232 (1) (h) and (I)(ii) of the Constitution and comply in two (2) years.

**4.1.7 Failure to deduct and remit statutory deductions.**

301. Review of payrolls records revealed that National Social security fund (NSSF) and National Hospital Fund (NHIF) dues were not deducted from the salaries of the twenty-three employees of the college and remitted to the respective bodies. This was contrary to Section 20 of the national social security fund Act 2013 and Section 16(1) National Hospital

Insurance Fund Act Cap. 255 of the laws of Kenya which require employers to deduct and remit the respective dues promptly.

**Management Response**

302. The management submitted that during the year under review the college faced financial constraints to meet all of its financial obligations as budgeted. However, the problem was resolved later as evident in the payment vouchers for NSSF and SHIF provided for confirmation.

***Committee Observations.***

303. The Committee observed that the management submitted payment vouchers for NSSF and SHIF for audit review and the matter was satisfactorily addressed and resolved.

**4.1.8 Non- Tagging of Assets.**

304. The statement of financial position reflects, property plant and equipment balance of Ksh 303,285,487 which as disclosed in Note 17 to the financial statements, includes computers, furniture and fittings with total estimated value of Ksh 918,000. However, an audit inspection revealed that these assets had not been tagged for ease of identification and tracking

**Management Response**

305. The management submitted that during the year under review the college had budget constraints but later in the subsequent years tagging has been done for all the college assets as evident in the photos attached.

***Committee Observations.***

306. The Committee notes that the Institution provided sufficient supporting evidence which were reviewed and cleared by the Office of the Auditor-General and the matter was adequately addressed and resolved.

**4.1.9 Lack of internal Audit Function.**

307. During the year under review the college operated without an internal audit function.

**Management Response;**

308. The management submitted that in the year under review the college had no Internal Auditor, but later in the subsequent year the Auditor was employed. However, the Internal Auditor left for another job opportunity leaving a gap for employment.

#### ***Committee Observations***

309. The Committee noted that the management reported that the recruitment process was ongoing, with the advertisement already completed. The Office of the Auditor General should confirm compliance during the next audit cycle.

#### **4.1.10 Lack of Documented Risk Management Policy.**

310. Information provided indicated that the college operated without a Risk Management policy and strategies during the financial year 2021/2022, contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations 2015. Therefore, the college lacked guidelines on how risks were identified, their significance estimated and likelihood of their occurrences were determined. Further, there were no guidelines on how risks were controlled and monitored to ensure that correction or mitigation measures were effective in the absence of documentation and reports on the same.

#### **Management Response;**

311. The management submitted that during the time of audit, the college policies were at its initial stages of discussions. But later in the subsequent years it was validated as evident in the Board Minutes and policy document provided for review.

#### ***Committee Observations.***

312. The Committee observed that the institutions had a risk management policy in place and the matter was adequately addressed and resolved.

#### **4.1.11 Non- Functional Audit Committee.**

313. Review of information provided for audit revealed that the audit committee of the college did not hold any sittings during the year under review. This is contrary to Regulation 179(1) of the Public Finance Management (National Government) Regulations, 2015 and as a result the committee did not perform its main duties outlined in Regulation 175.

#### **Management Response;**

314. The managements stated that during the year under review the term of the Board members expired between September 2022 and February 2023. However, the secretary to the Board initiated the process of replacement but the Ministry delayed in the appointment of new members hence leading to the gap in execution of its mandate. But later the board was appointed and started executing its mandate as required by law. Nomination documents, appointment letters, Committee Invitation letters and meeting minutes were provided for confirmation.

#### ***Committee Observations.***

315. The Committee observed that the appointments were finalized and the Board was in place. Nomination documents, appointment letters, committee invitations, and meeting minutes

were provided and verified by the office of the Auditor General and the matter was adequately addressed and resolved.

#### **4.1.12 Lack of Continuity in the affairs of the Board of Governors.**

316. Review of appointment letters of members of the Board of the college revealed that the term of all Board members expired between September, 2022 and February ,2023. At the time of the audit in March 2023 there was no Board in place.

#### **Management Response;**

317. The Management submitted that the secretary to the Board initiated the process of appoint of Board members as required by law by December 2022, but the Parent ministry delayed in the appointment leading to the slight gap, but later in the month of March 2023 appointments were concluded. Documents for initial process on nomination and appointment letters is attached for your confirmation.

#### ***Committee Observations***

318. The Committee observed that while the Accounting Officer initiated the recruitment process in December 2022, this action was taken after several board terms had already expired in September, which points to failure in proactive succession planning. Operating without a Board meant that critical decisions may have been made without the necessary oversight, potentially exposing the Institution to litigation and financial irregularities.

#### ***Committee Recommendations***

319. The Committee recommends that the Accounting Officer must ensure that the process of appointing or renewing Board members is initiated prior to the expiry of the respective terms to provide sufficient lead time for Ministry approvals.

### **Audited statements for Financial Year 2022/2023- (Qualified opinion)**

#### **4.1.13 Material Uncertainty in Relation to Sustainability of service.**

320. The Audit review and the trend analysis of the statement of the statement of financial performance for the past two years revealed that the college had been on declining profitability where the college had a surplus of Ksh 4,417,324 in the financial year 2020/2021 which decreased to Ksh 3,324,718 in the financial year 2021/2022 and deficit of Ksh 1,609,701 in the financial year 2022/2023. This is an indication that the college may be experiencing financial difficulties in meeting its obligations or in financing its operations and may lead to operational challenges in future.

#### **Management Response**

321. The management submitted that institution acknowledged the decrease in its surplus and this was simply because the following reasons:

**(i) Increase in Operating Costs**

- Rising salaries, allowances, and staff benefits
- Higher costs of utilities (water, electricity, internet) due to increased number of trainees.
- Increased material supplies for learning resulting from increased number of trainees.
- Maintenance and repair of aging facilities such as student chairs and staff

**(ii) Decline in Revenue**

- Reduction in government grants or subsidies i.e the college was receiving a grant of Ksh 500,000 every quarter which stopped.
- Delays/defaults in fees collection. The students solely depended in Helb Loans and Capitation Grants.

**(iii) Expansion and Development Costs**

- The college started new projects which were capital in nature. For instance, the college had no enough lecture rooms for the increased enrollment hence reducing its saving for the years under review.

***Committee Observations.***

322. The Committee observed that the institution did not have enough funds to facilitate the activities of the institutions due to the late disbursement of capitation by the Ministry, with limited evidence of initiatives to generate its own revenue streams. This reliance poses sustainability risks and undermines the institution's financial autonomy.

***Committee Recommendations.***

323. The Committee reiterates its recommendation from the previous financial year.

**4.1.14 Inaccuracy in the Financial Statements – Statement of Cashflows.**

324. The statement of cash flow reflects cash and cash equivalent as at 1<sup>st</sup> July 2021 and cash and cash equivalent as at 30/06/2022 balances of ksh.729,349 and Ksh 3,587,135 which is at variance with prior year's comparative balances of Ksh 693,112 and Ksh 3,550,898 respectively by Ksh 36,237. Further note 18 to the financial statements reflects property, plant and equipment additions balance of Ksh 762,500. However, the cash flow statement does not disclose purchase of property plant and equipment under cash flows from investing activities or the statement of cash flows.
325. In addition, working capital adjustment for current portion of receivables from exchange transactions increase of Ksh 1,446,484, receivables from non-exchange transactions increase of Ksh. 880,000, inventories increase of Ksh 239,320 and trade and other payables from exchange transactions increase of Ksh. 2,185,804 from the 2021/2022 to 2022/2023 were not disclosed or analysed in the statement of cash flows.

### **Management Response**

326. The management submitted that the difference of Ksh 36,237 in the cash flow statement was the closing balance for the CDF account which was erroneously not captured in the previous year's report, but the difference was restated in the current report (2022/2023).
327. They further stated that the omissions mentioned above has been identified and the error will not re- occur again in the subsequent reports since management will be appointing an ad hoc review committee to assist in proof reading reports before submissions are done.

### **Committee Observations**

328. The Committee notes that the issue of errors and omissions in the financial statements had been addressed in the previous financial year and reiterates its recommendation.

#### **4.1.15 Unsupported Current portion of Receivables from exchange Transactions.**

329. The statement of the financial position and as disclosed in note 16 of the financial position reflects a balance of Ksh 5,578,973 on current portion of receivable from exchange transactions. However, no detailed aging analysis and support documents were provided for audit review.

### **Management Response**

330. The management admits that there was no aging analysis and this was because the fees register was basically Maintained in a manual excel sheet. However, this problem has been resolved by procuring an ERP system which will assist in aging analysis.
331. On the other hand, the manual excel sheet extract is attached herein for confirmation of the value reported in the financial statements and the current ERP system sample Aging analysis schedule.

### **Committee Observations**

332. The Committee observed that the management had procured an ERP system and the matter was adequately addressed and resolved.

#### **4.1.16 Unsupported Receivable from Non-Exchange Transactions.**

333. The Auditor noted that the statement of financial position reflected a balance of Ksh 880,000 of receivable from non-exchange transactions with no aging analysis and support documents.

### **Management Response**

334. The balance of Ksh 880,000 of receivables from Non-Exchange Transaction was basically for the current year under review as per the aging analysis in the report. The balance was broken down into two i.e Ksh 500,000 and Ksh 380,000 which was 4<sup>th</sup> quarter grant from the government and fabricated tables and chairs sales respectively. Quarter 1,2 and 3 release letters and invoices for units sold are attached for confirmation.

#### ***Committee Observations***

335. The Committee observed that the management provided support documents for audit review and the matter was adequately addressed and resolved.

#### **4.1.17 Unsupported Trade and other payables from Exchange Transactions.**

336. The statement of financial position and as disclosed in note 20 to the financial position reflects a balance of ksh2,217,149 of payables from non-exchange transactions. However, no detailed aging analysis and support documents were provided for audit review.

#### **Management Response**

337. The managements stated that the omission on aging analysis was noted and that error, will not re-occur in the subsequent financial reports, since the college has adopted the ERP System to ease aging analysis.
338. Further, the documents supporting the trade payables were available only that the finance officer was not able to trace it during the audit exercise. The current ERP aging analysis schedules, pending bills schedule and invoices supporting the bills have been attached herein for your perusal.

#### ***Committee Observations***

339. The Committee observed that the management had put in place an ERP system and the ageing analysis was provided for audit review thereby addressing and resolving the matter.

#### **4.1.18 Property, Plant and Equipment.**

340. The statement of financial position, and as disclosed in note 19 to the financial statements, reflects property, plant and equipment balance of Ksh 304,047,987. However, the following unsatisfactory matters were noted.

##### **4.1.18.1 Un- disclosed and unsupported Balances.**

341. The property plant and equipment balance of Ksh 304,047,987 was not supported with detailed complete asset register detailing among others asset cost, depreciation, net book value, asset code or serial number. Further no documents on additions. Ownership proof documents assets acquisition cost and date were provided. In addition, the provided records excluded a number of un-qualified computer accessories, furniture and fittings, loose tools, equipment, machinery and intangible assets. Further there was no evidence of assets count, valuation, tagging and assets were insured accordingly. In addition, the attached property plant and equipment schedule under note 19 is inaccurate and unreliable as there were no depreciation charge or expense for various assets category.

### **Management Response**

342. The management submitted that the assets register since then have properly updated and the current up to date register can be shared in soft for confirmation. The management as set a budget to allow soliciting of funds to do valuation to all the assets. This will enable us get the correct values of our assets hence adjust the financial statements accordingly and start depreciating all the assets as required. Currently all the assets are tagged and unique numbers issued for ease identification.

### **Committee Observations**

343. The committee observed that the management submitted supporting evidence to the auditors for verification and the matter has been adequately addressed and resolved.

#### **4.1.18.2 Land and Buildings Without Ownership documents.**

344. The balance of Ksh 304,047,987 includes an estimated value of land and buildings of Ksh 102,363,987. However, management indicated that the college did not have a title deed for the land and that the process of obtaining the title deed had been hampered by a court case, further documents showing historical costs of the building were not provided for audit. The Management submitted that Keroka TTI under whose mentorship the building was constructed, had not handed over the buildings to the college. As a result, the ownership of the parcel of land and the accuracy of the land and buildings balance of ksh102,363,987 as at 30/06/2023 could not be confirmed.

### **Management Response**

345. The Management clarified that the land was allotted to the institution by the Government in earlier years, but formal ownership documents have not been fully processed. The process of getting land title deed was basically hampered by a court case that was active in Kisii law courts. The documents indicating the progress of the case then is attached herein. At one time the college paid facilitation fees to the ministry of Education through Kabete National polytechnic to be assisted in demarcation and title deed processing but unfortunately no results were realized. However, the case has been resolved and the process of getting land title deed has started.

### **Committee Observations**

346. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **4.1.18.3 Assets Donated by the Ministry of Education.**

347. As reported in previous years, included in the balance of Ksh 304,047,987, are estimated amounts of Ksh 420,000, Ksh 60,000 and Ksh 200,000 for furniture, computers and plant and equipment respectively, donated by the ministry of education in the year 2020/2021. However, documents from the ministry showing historical costs of the assets or valuation

reports supporting the amounts were not provided for audit review. In the circumstance, the accuracy and completeness of the reported property, plant and equipment balance of Ksh304,047,987 could not be confirmed.

#### **Management Response**

348. The donated assets were received and put into use, but valuation certificates were not provided at the time of handover. The only document received was Delivery certificate and was written in Mandarin (Chinese). However currently valuation expense has been captured in the budget to allow management to solicit funds from the ministry to assist in valuation. For the budget extract refer Annex 4(FY 2021-2022) After soliciting funds, the values given by the valuer will be adopted in the next year's financial report i.e. 2025-2026 either as a revaluation loss or revaluation gain.

#### **Committee Observations.**

349. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **4.1.19 Budgetary control and Performance**

350. The statement of comparative of budget and actual amounts reflects revenue budget and actual on comparable basis of Ksh 36,152,000 and Ksh 12,127,305 respectively, resulting to underfunding of Ksh 24,024,695 (or 66% of the budget). Similarly, the college expended Ksh 13,737,006 against an approved budget of Ksh 36,152,000 resulting to an under expenditure of Ksh 22,414,994 (or 65% of the budget) The underfunding and under expenditure constrained implementation of planned activities and may have impacted negatively on service delivery to the students and other stakeholders of the college.

#### **Management Response**

351. The management submitted that under-collection of fees was as a result of the following reason. The government did not release all the monies as capitation and HELB loans as budgeted for and the under- expenditure was as a result of low revenue.

#### **Committee Observations.**

352. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **4.1.20 Unresolved Prior Year Matters**

353. Various prior year audit issues remained unresolved as at 30 June 2023. Management has not provided reasons for the delay in resolving the prior year audit issues. Further the unresolved prior year issues are not disclosed under the implementation status of the Auditor –General recommendations section of the financial statements as required by the public sector Accounting Standards Board.

### **Management Responses**

354. Management acknowledged the observation and reiterated as follows:
- (i) Most of the prior year's audit issues required money to be resolved. The management has tried hard to resolve a few issues that are manageable. However, those issues that the management have not resolved require more time and resources to be resolved.
  - (ii) The incomplete template resulted because of time constraints during preparation of responses amendment of the report which led to submission before full completion. However, management will be appointing ad hoc committee to assist in preparation of financial reports and proof reading.

### ***Committee Observations***

355. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **4.1.21 Non-Compliance to prescribed financial reporting Template.**

356. The Cabinet Secretary for national treasury vide Gazette notice number 5440 dated 8<sup>th</sup> July 2014 approved the adoption of IPSAS Accrual issued by international Accounting Standards Board for application in all state organs.
357. The ICPAK number is not indicated in the statement of financial performance and statement of financial position as required in the reporting template. Further the notes are not well aligned and are not in sequence within note 16 is sub note number 28a, 28b in page 21 which are not aligned accordingly. The statement of comparison of budget and actual amounts does not give specific explanations of the noted material variances.
358. In addition, the appendix on implementation status of Auditor General recommendations reflects a number of audit issues as resolved or to be resolved by 30/06/2024. However most of these issues remain un-resolved. No evidence was provided to confirm if the same were resolved or the current status as at conclusion of the 2022/2023 audit on 18 February 2025. The appendix is not duly signed by the accounting officer.

### **Management Response**

359. The management concurred with the omission of not indicating the ICPAK number in the report, this was basically because the finance officer had not completed his KASNEB course as required. Currently the finance officer has completed his course as required by KASNEB he has received the KASNEB schedule to book for the Workshops on Ethics and apply for exemption on workplace simulation workshops since he has enough practical work experience. In the next financial reporting, the ICPAK number will be indicated.

### ***Committee Observations***

360. The Committee was satisfied with the management response and marks the matter as resolved.

#### **4.1.22 Lack of Approved Staff Establishment and human resource Manual.**

361. The college does not have an approved staff establishment contrary to the ministry of education state department of vocational and technical education circular ref no. MST/DTE/1/1 dated 12 July 2019 on staff establishment and justification for Technical and Vocational Education and training (TVET) institutions which requires the institutions to develop a staff establishment with a clear justifications for considerations and approval by the public service commission further the college has no human resource manual and established human resource officer for human resource recruitments other human resource functions.

#### **Management Response**

362. The management concurred with the Auditor that there was that gap but afterwards started the process of developing staff establishment guidelines. Currently the staff establishment guidelines and Human resource manual are available. The management gave a budget to Board of Governors for approval to fill the gap for the Human Resource office. Approval from the Board has already been completed. This office will be soon created and will be witnessed in the next financial report. Board meeting Minutes allowing for employment are attached for confirmation.

#### **Committee Observations**

363. The Committee noted the absence of approved staff establishment and human resource guidelines, contrary to policy. Further, that the management had taken steps to address the issues raised by the auditors.

#### **Committee Recommendations**

364. The Committee recommends that the Office of the Auditor General should confirm compliance in subsequent audits.

#### **4.1.23 Non-Compliance with the law on Ethnic Diversity in Staffing.**

365. Audit review of employees' records indicated that out of the thirty-six (36) employees of the college comprising of twenty-four (24) teaching staff and twelve (12) non-teaching staff, thirty-three (33) or 92% of the establishment were from one ethnic community. This was contrary to section 7(1) and Section 7(2) of the National Cohesion and Integration Act, Cap.7N which requires all public establishments to seek to represent the diversity of the people of Kenya in the employment of staff and ensure that no more than one-third of its staff are from the same ethnic community.

#### **Management Response**

366. The management submitted that it concurred with the Auditor. Most of the employees were casuals who were engaged on inception by the mentor institution.

367. On the other hand, management stated that it intends to employ other essential staffs, that is, Human Resource officer, Internal Auditor and workshops technicians which will onboard people from all ethnic diversity. The Board of Governors minute allowing for employment is attached. However, some critical offices are occupied by people from other tribes e.g. Procurement office.

***Committee Observations***

368. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendations.

**4.1.24 Failure to deduct and remit statutory deductions.**

369. As reported in previous year, review of records revealed that National Social Insurance Fund (NSSF) dues were not deducted from the salaries of the twenty-three employees of the college and remitted to the respective body. This was contrary to Section 14 of the National Social Security Fund Act, Cap 258 and National Hospital Insurance Fund Act Cap, 255 which require employers to deduct and remit the respective dues promptly.

**Management Response**

370. The management submitted that that during the year under review the college faced financial constraints to meet all of its financial obligations as budgeted. However, the problem was resolved as evident in the payment vouchers for NSSF provided for audit review.

***Committee Observations***

371. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendations.

**4.1.25 Non- functional Human Resource Department**

372. The college does not have a functional human resource department which is necessary for staff enrolment and motivation. While the functions of human resources were documented in the policy, there was no office bearer accountable for these functions.

**Management Response**

373. The management concurred with the Auditor, but this gap was necessitated by scarcity of resources in the institution. However, the management has done a request to the Board for Employment as evident in the Minutes and Budget.

***Committee Observations***

374. The Committee observed that this was a recurring matter and reiterates its recommendation.

#### **4.1.26 Failure to Maintain Insurance for the college staff.**

375. The audit revealed that all board employees of the college are not covered by any insurance company. Further all fixed assets of the college are not insured, exposing the college to risks that may arise during its operations. In addition, cash on transit is also not insured for employees who collect imp rest from the bank, further increasing the college's vulnerability to financial loss. This was contrary to section 7(1) of the Work Injuries and Benefits Act, Cap. 236 which states that every employer shall obtain and maintain an insurance policy, with an insurer approved by the ministry in respect of any liability the employee may incur under this act to any of its employees.

#### **Management Response**

376. Management submitted that they concurred with the auditor but this was basically because of financial constraints. However, the management submitted that they would capture insurance expense in its next financial year' budget to allow acquiring insurance policy for its staff.

#### **Committee Observations**

377. The Committee observed that the institution did not have insurance for the staff.

#### **Committee Recommendations**

378. The Committee cites the accounting officer for negligence and recommends that management must at all times ensure compliance with the provisions of the law. Further, that the Accounting Officer should ensure provision is made for insurance and the Office of the Auditor General to confirm compliance in the subsequent audits.

#### **4.1.27 Weaknesses in the Management of Fixed Assets.**

379. The audit of the fixed assets revealed that management did not maintain a complete fixed assets register to record necessary information such as date of acquisition, net book values, value, asset codes, custodian and location among other details in respect of the assets the college owns. As a result of this it was not possible to establish fully depreciated assets, bonded items and how the same will be written off in the books of accounts. Further there was no reliable asset management system in place and asset inventory was not done on regular basis at least on annual basis. In addition, no assets manager was appointed or asset management committee put in place to effectively manage the college assets.

#### **Management Response**

380. The management submitted that it had updated its fixed assets register and regular stock take is done. This can be confirmed by the asset register in soft and stock take reports.

***Committee Observations.***

381. The Committee observed that the management submitted supporting evidence which was verified by the Auditors and the matter was satisfactorily addressed and resolved.

**4.1.28 Lack of Internal Audit Function and Audit Committee**

382. During the year under review, the college did not have an internal audit department as required by Regulation 162(2) (a) (b) (c) and (d) of the Public Finance Management (National Government) Regulation, 2015 which provides that an accounting officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibility, the internal auditor with sufficient authority to promote independence and to ensure broad audit coverage adequate consideration of internal audit reports, appropriate action to be taken on internal audit recommendations; and the internal auditor to be independent of the programs operations and activities he or she audits to ensure the impartiality and credibility of the internal audit work undertaken. Further the college did not have an audit committee contrary to regulation 175 of the Public Finance Management (National Government) Regulation, 2015 which states that each national government entity shall establish an audit committee or share audit committee with another entity.

**Management Response**

383. The management submitted that during the year under review the college had not employed an internal auditor because of financial constraints. However, in the subsequent years the management employed the internal auditor who exited afterwards as evident in the contract letter.

***Committee Observations***

384. The Committee observed that this matter was recurring from the previous financial years and reiterates its recommendations.

**4.1.29 Lack of documented Risk Management Policy.**

385. Information provided indicated that the college operated without a Risk Management policy and strategies during the financial year 2022/2023, contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations 2015. Therefore, the college lacked guidelines on how risks were identified, their significance estimated and likelihood of their occurrences were determined. Further, there were no guidelines on how risks were controlled and monitored to ensure that correction or mitigation measures were effective in the absence of documentation and reports on the same.

### **Management Response**

386. The management submitted that during the time of audit, the college policies were at its initial stages of discussions. But later in the subsequent years it was validated as evident in the Board Minutes and policy document attached herein.

### ***Committee Observations.***

387. The Committee observed that the matter had been satisfactorily addressed and therefore stands resolved.

### **4.1.30 Information, communication and technology (ICT) Environment**

388. Audit review of the college ICT environment revealed that there was no approved formal ICT policy in place during the year under review, which includes data security policy, and disaster recovery plans. Further the college's ICT structure was not provided for audit review. In addition, during the year under review the college did not have an information Technology (IT) steering committee for ensuring effective IT controls and strategies.

### **Management Response**

389. The management submitted that they concur with the auditor, but this was basically because of financial constraint in the college. However, in later years the management has resolved the problem by developing an ICT policy, constituting IT steering Committee, procuring an ERP system and employing system administrator personnel

### ***Committee Observations.***

390. The Committee observed that the matter had been satisfactorily addressed and resolved.

### **Audited statements for Financial Year 2023/2024- (Qualified Opinion)**

#### **4.1.31 Unsupported Revenue from Exchange Transactions.**

391. The statement of financial performance and as disclosed in note 7 to the financial statements, reflects fees from students' amount of ksh.14,639,247. However, management only provided a summary of income from respective vote heads and no detailed subsidiary ledgers were provided to support the amount disclosed for sub-items in the financial statements.

### **Management Response**

392. The management submitted that the supporting documents were misplaced at the time of auditing. However, all the schedules supporting the values in the report have been retrieved and attached for perusal.

### ***Committee Observations***

393. The Committee observed that the supporting evidence was provided for audit verification and matter was adequately addressed and resolved.

#### **4.1.32 Unsupported Property, Plant and Equipment.**

394. The statement of financial position, reflects property, plant and equipment balance of Ksh 312,439,958 which as disclosed in note 18 to the financial statements includes Ksh 109,661,644 in respect of land and buildings. However, review of the records provided for audit revealed that the college was in possession of two parcels of land of undetermined value within its proximity. However, the college did not have the title deeds of the parcels of land in its custody.

#### **Management Responses**

395. The management submitted that the land where the college sits on, had boundaries demarcation case in Kisii law courts which was recently resolved. The process of getting a title deed has started. Possibly by end of this financial year the title deed will be available. The second parcel of land was purchased by the college the title deed has been processed.

#### **Committee Observations**

396. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.33 Non-Compliance with the prescribed financial reporting template**

397. The statement of financial performance reflects total revenue and total expenses amounts of Ksh 33,852,529 and Ksh 29,110,206 respectively, resulting in surplus for the year of ksh4,742,323. Similarly, the statement of cash flows reflects total receipts of Ksh 33,852,529 and total payments of Ksh 29,110,206, leading to net increase in cash and cash equivalents amount of Ksh 4,742,323. This therefore, means that the statements of financial performance were prepared on cash basis despite increase during the year under review of receivables by Ksh 856,692 and payables by Ksh 30,281. This was contrary to the prescribed template which requires financial statements of Technical and vocational colleges to be prepared on accrual basis of financial reporting.
398. Further the statement of financial performance and as disclosed in note 14 to the financial statements, reflects Ksh 8,391,971 in respect to development expenditure which is capital in nature. The expenditure has been both expensed and capitalized in the financial statements, resulting to double accounting. The expenditure has also not been disclosed as capital expenditure in a row after surplus for the period in the statement of comparison of budget and actual amounts as required.
399. In addition, the statement of cash flow does not reflect a note against net cash flows from operating activities as required. Instead, the statement reflects notes against receipts and payments items which are not required. Also, the notes to the financial statements do not include a note on cash generated from operations to reconcile surplus for the year of Ksh 4,742,323 reflected in the statement of financial performance and net cash flows from operating activities amount of Ksh 13,134,294 reported in the statement of cash flows.

400. Also, while signing the financial statements the accountant did not indicate his ICPAK number as required, which may be an indication that the financial statements were prepared by an unqualified accountant.

#### **Management Responses**

401. The management submitted that the statement of financial performance was done using accrual method of accounting, only the statement of cash flows statement was done in cash basis (direct method) since this was allowed in the reporting template for the year under review.
402. The error of expensing development expenditure has been noted, will be adjusted accordingly in next financial statements and will not re-occur again in subsequent years.
403. The management agrees with the omission of not indicating the ICPAK number in the report, this was basically because the finance officer had not completed his KASNEB course as required. Currently the finance officer has completed his course as required by KASNEB, he is awaiting the KASNEB schedule to book for the Workshop on Ethics and apply for exemption on workplace simulation workshops since he has enough practical work experience. In the next financial reporting, the ICPAK number will be indicated. However, the summary of examination result notification for Post Advanced Level is attached for confirmation.

#### **Committee Observations**

404. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.34 Budgetary Control and Performance.**

405. The statement of comparison of comparison budget and actual amounts reflects final receipt budget and actual on comparable basis amounts of Ksh 72,304,000 and Ksh 33,852,530 respectively, resulting in underfunding of Ksh 38,510,251, or 53% of the budget. Similarly, the college spent Ksh 29,110,080 out of the actual receipts of Ksh 33,852,530, resulting in underutilization of Ksh 4,742,323 or 14%.
406. The underfunding and under expenditure constrained implementation of planned activities and may have impacted negatively on service delivery to the students and other stakeholders of the college.

#### **Management Response**

407. The management stated that the under-funding was as a result of the following reason; The government did not release all the monies as capitation and Helb loans as budgeted for. For instance, the management had budgeted for Ksh 7,500 per student per quarter but received less, as evident in the release letters and acknowledgements attached. The under-expenditure was as a result of low revenue.

### ***Committee Observations***

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

#### **4.1.35 Lack of Approved Establishment and Career Progression guidelines.**

409. The statement of financial performance and as disclosed in Note 10 to the financial statements reflects Kshs. 5,991,858 in respect of employees costs, audit review of the documents provided revealed that during the period, the college had a total work force of sixty two (62) staff, out of which , twenty one (21) were employed by the public service commission and four one (41) were employed by the board of governors out of which twenty seven (27) were trainers and fourteen (14) non-teaching staff , all on contractual basis. However, review of records revealed that the college did not have an approved staff establishment whose absence indicated that the college had not yet determined the skills and optimal staffing levels required to achieve its goals and objectives. Further there was no evidence that the college had prepared a human resource plan based on a comprehensive job analysis.
410. In addition, there was no evidence of an approved salary structure and career progression guidelines in place. This was contrary to section B. 2 (1) of public service human resource policy, 2016 which requires every ministry/state department to prepare human resource plans to support achievements of goals and objectives in their strategic plans, and section B 5 (2) of the public service human resource manual 2016 which states that all vacancies shall be declared in a prescribed format which shall include. The number of vacancies, when the vacancy occurred, weather the vacancy is within the authorized establishment and other relevant details and B 6 (3) states that in the recruitment process, due considerations will be given to appropriate organizational structure in each department optimal staffing levels and schemes of service and career progression

### ***Management Responses***

411. The management concurred with the Auditor that there was that gap, but afterwards the management started the process of developing staff establishment guidelines. Currently the staff establishment guidelines and Human resource manual are available. The management gave a budget to Board of Governors for approval to fill the gap for the Human Resource office.
412. Approval has already been completed and this office will be soon created and will be witnessed in the next financial report. Board meeting Minutes approving employment and Budget extract is attached for confirmation.

### ***Committee Observations***

413. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.36 Non-Compliance with the law on Ethnic Diversity in Staffing.**

414. Analysis of the personnel records revealed that the college had a total workforce of forty-one (41) staff employed by the Board of Governors, out of which twenty-four (24) were trainers and seventeen (17) were non-trainers. Out of 41 staff, thirty-eight (38) representing 93% were from one ethnic community, contrary to the provision of section 7 (2) of the National Cohesion and Integration Act, Cap.7N.

#### **Management Response;**

415. The management concurred with the Auditor that most of the employees were casuals who were engaged on inception by the mentor institution. However, management is intending to employ other essential staffs i.e. Human Resource officer, Internal Auditor and workshops technicians which is intended to onboard people from all ethnic diversity. The Board of Governors minute allowing employment of essential staff is attached for confirmation.

#### **Committee Observations**

416. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.37 Weak Internal controls and weaknesses in ICT Environment.**

417. Documents provided for audit indicated that the college had in place an ERP system called optimum that managed the operations of student finance, procurement, human resource and registry. However, the ERP procurement documents, signed contract and service level agreement were not provided for audit review and therefore the functionality of the IT internal controls embedded in the ERP could not be reviewed.
418. Further the college had no approved IT strategic plan, no IT steering committee, no IT security policy, no formulated ICT environment control policy and procedures and no training need assessment or evidence of actual trainings conducted within the year under review for the IT personnel on its application and management.
419. In addition, no service level agreement was provided for the contracted company that supplied the ERP system on data rights, storage and breach clause and despite the ERP system application in all core areas of the institution and in consideration of risk associated to the institution like student unrest, fire, computer theft, destruction or viral attacks, there was no offsite back up and disaster recovery plan or offsite backup.

#### **Management Response**

420. The management submitted that the ERP system procurement records were available, except that the system was procured in a different financial year (2024/2025) and not the year under review (2023/2024). However, extracts of all the procurement records are attached for your confirmation.
421. In the current year under review the management agrees with the auditor, but later in the following year the weaknesses were resolved by developing an ICT policy, constituting IT

steering Committee, procuring an ERP system and employing system administrator personnel as evident in the attachments.

#### ***Committee Observations***

422. The Committee observed that while the matter has been addressed in previous financial years, the management submitted supporting evidence to the auditors for verification and the matter has been adequately addressed and resolved.

#### **4.1.38 Weak Control Over Fees Revenue.**

423. The statement of financial performance and as disclosed in not 7 to the financial statements, reflects Ksh 14,580,466 in respect of fees from students. However, review of documents provided for audit revealed that there was no billing software in place during the year under review, hence student's fees statements could not be generated and records indicating student's balances at the beginning of the year and amounts the students were invoiced as fees were not provided for audit review. Further there was no segregation of duties on billing, receipting, recording payment and reconciliation transactions.

#### **Management Response**

424. In the year under review the billing was done manually using excel sheet, since the college had financial constraints to procure billing software. However, the problem has been resolved since the management procured an ERP system in the subsequent year i.e.2024/2025.
425. The amount of money students invoiced was Ksh. 72,489 as evident in the fees structure then attached herein.
426. The students billing and receipting was done by an accountant (Janice Moraa Oguta) and reconciliations and reporting was done by the Finance officer. Contract letter for her and Sample receipts signed by the accountant is attached for confirmation. Finally, the problem of invoicing, receipting and statement generation is now automated as evident in the sample print outs attached.

#### ***Committee Observations.***

427. The committee observed that the management submitted supporting evidence to the auditors for verification and the matter was adequately addressed and resolved.

### **Audited statements for Financial Year 2024/2025- (Qualified Opinion)**

#### **4.1.39 Inaccuracy of Fee Income**

428. The statement of financial performance and as disclosed in note 7 to the financial statements reflects an amount of Kshs. 17,795,620 in respect of rendering of services-fee from students. However, a review of supporting documents provided for audit revealed a balance of Kshs. 17,920,164 resulting in an unexplained variance of Ksh. 124,544.

### **Management Response**

429. The management submitted that the correct fees income for the year under review was Ksh. 17,795,620 and the summaries from the statement was attached for confirmation.

### **Committee Observations**

430. The Committee observed that the institution did not have a fee policy in place to cushion the institution from incurring further losses with the non-payment and non-collection of school fees.

### **Committee Recommendations**

431. The Committee recommends that the institution should develop a fee policy within three (3) months of the adoption of this report and the Auditor General should report in the next financial year.

#### **4.1.40 Unsupported Property, Plant and Equipment**

432. The statement of financial position and as disclosed under note 18 to financial statements reflects property, plant and equipment with a net book value balance of Kshs. 326,685,680. However, review of documents provided for audit revealed that the management did not provide valuation of assets report for audit review and asset register that was provided did not capture other assets that include trees and fingerlings and banana trees.
433. Further, the assets held by the institution and those acquired during year under review were not depreciated, accumulated depreciation was not disclosed in the financial statements and the fixed assets depreciation policy was not provided for audit review. In addition, the institution has two parcels of land one acquired by the institution during the year under review in which a photocopy of the title deed was provided, the second parcel of land where the college sits on, the title deed was not provided for audit review.

### **Management Response**

434. The management submitted that the land where the college sits on, had boundaries demarcation case in Kisii law courts which was recently resolved. The process of getting a title deed has started, possibly by end of this financial year the title deed will be available. Copies indicating the progress and conclusion of the case is attached herein.
435. The second parcel of land was purchased by the college and the title deed has been processed and attached for confirmations.
436. The management further stated that it was lobbying for funds to do valuation for its assets hence allow depreciation expense deducted and amend the report accordingly with either revaluation loss or revaluation gain.

### ***Committee Observations***

437. The Committee observed that the matter was recurring from previous financial years and reiterates its recommendations.

#### **4.1.41 Undisclosed Biological Assets**

438. The statement of financial position and as disclosed under note 19 to financial statements reflects a balance of Kshs. 625,000 in respect of biological assets. The biological assets disclosed were only six cattle and the management did not provide biological assets valuation report as at 30 June 2025 for audit review and other biological assets held by the entity which included eighty- eight (88) chickens, one thousand (1000) fingerlings, undetermined number of exotic trees, banana trees and napier grass.
439. Management did not disclose them in the financial statements. Review of assets register provided for audit and subsequent physical verification conducted on 15 October, 2025 revealed that the cattle were not tagged for unique identification. Further, the daily production records provided revealed the average production per cow is 2 litres per day which appears to be very low and could prove costly for sustainability. Management did not provide record of each cow productivity level per day for audit review. In addition, some of the cows were in poor state of health as evidenced by skin disease, loss of weight and high infestation by the Ixodidae (hard ticks).

### **Management Responses**

440. The management submitted that they would make a request to the county agricultural officer to do valuation and incorporate the values in the next financial report. On the other hand, the management will budget tagging of daily cow's expense in the next budget to allow expenditure of tagging all our daily cattle, also will make necessary follow-ups to enable proper maintenance of the cattle to improve on their productivity in the future.

### ***Committee Observations.***

441. The Committee observed that the management had not valued nor tagged the biological assets. Further, that the profitability of the project was questionable given the low dairy production.

### ***Committee Recommendations.***

442. The Committee recommends that the Accounting Officer should within three months of the adoption of this report ensure that that the biological assts are tagged and valued. Further, that the Accounting Officer should ensure proper maintenance of the animals to improve their productivity.

#### **4.1.42 Unreconciled Teaching and Learning Expenses**

443. The statement of financial statement as disclosed under note 9 to the financial statements reflects balance of Kshs. 30,658,015 in respect to use of goods and services. This amount

further includes Kshs. 5,951,542 in respect to teaching and learning material expenses. However, review of supporting schedules provided for audit revealed a balance of Kshs. 5,966,072 resulting to unexplained variance Kshs. 14,530.

#### **Management Response**

444. The Management submitted that the correct value for teaching and learning materials was Ksh 5,951,542 and the schedules supporting the expenditure was attached for confirmation.

#### ***Committee Observations***

445. The committee observed that the management submitted supporting evidence to the auditors for verification and the matter has been adequately addressed and resolved.

#### **4.1.43 Receivables from Exchange Transactions**

446. The statement of financial position and as reflected in note 16 to the financial statements reflects Kshs. 19,541,266 in respect to receivables from exchange transactions. However, review of the expenditure revealed that the management did not provide supporting schedules supporting the receivables balances in the financial statements.
447. Further, review of note 15 revealed that the management did not prepare the aging analysis to help track movement of the debtors and did not have a debt management policy to help in management of debtors. In addition, management did not demonstrate any strategies towards collection of the outstanding receivables balance.

#### **Management Response**

448. The management submitted that the schedule supporting the receivables was not provided during the time of audit since the exercise was overwhelming. However, it's now available and can be shared (soft copy) for confirmation.
449. On the other hand, the management concurred that they did not do aging analysis but this will not re-occur in the next financial reports. However, aging analysis is done by the ERP system.

#### ***Committee observations***

450. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.44 Budgetary control and performance**

451. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs. 126,807,400 and Kshs. 54,506,508 resulting in an underfunding of Kshs. 72,300,892 or 57% of the budget. Similarly, the college expenditure amounted to Kshs. 54,396,646 against the realized receipts of Kshs. 54,506,508 indicating full utilization of the realized receipts.

**Management Response**

452. The management submitted that the under-funding was as a result of the following reason; The government did not release all the monies as capitation and Helb loans as budgeted for. For instance, the management had budgeted for Ksh 7,500 per student per quarter but received Ksh 3,250 per student per quarter which is far away less than what was budgeted as evident in the release letter attached. The under- expenditure was as a result of low revenue as indicated above.

**Committee Observations**

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

**4.1.45 Unresolved Prior Year Audit Matters.**

454. In the prior year’s audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the college in 2024/2025 revealed the following nine (9) issues remained unresolved.

S/NO	Financial Year	Audit Issues
1.	2023/2024	Unsupported Revenue from Exchange Transactions
2.	2023/2024	Unsupported Property, Plant and Equipment
3.	2023/2024	Non-Compliance with the Prescribed Financial Reporting Framework
4.	2023/2024	Budgetary Control and Performance
5.	2023/2024	Lack of Approved Establishment and Career Progression Guidelines
6.	2023/2024	Irregular Procedures on Casuals Engagement
7.	2023/2024	Non-Compliance with the Law on Ethnicity Diversity in Staffing
8.	2023/2024	Weak Internal Controls and Weaknesses in ICT Environment
9.	2023/2024	Weak Controls Over Fees Revenue

**Management Response**

455. The Management submitted that most of the prior year’s audit issues highlighted above have been resolved. The management has tried hard to resolve a few issues that are manageable. However, those issues that the management have not resolved require more time to be resolved as explained in my early responses.

### ***Committee Observations.***

456. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.46 Non-Compliance with the Prescribed Financial Reporting Framework**

457. Audit review of the annual report and financial statements presented for audit revealed the statement comparison of the budget and actual amounts at page 5 to the financial statements did not provide an explanation of performance differences of +or-10% for specific receipt and expenditure items as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB). Further, the statement of performance against predetermined objectives enumerates six (6) pillars contained in the college strategic plan. However, management has not reported under this section, the strategic objectives, key performance indicators, activities driven towards achievement of the objectives and achievements/outputs for each strategic pillar in the line with the reporting template prescribed by the PSASB.
458. In addition, while signing the financial statements, the finance officer did not indicate his ICPACK Number as required. This may an indication that the financial statements were prepared by an unqualified accountant.
459. Further review indicated page xiv to the financial statements reflects a corporate governance statement. However, missing in the corporate governance statement is the number of board meetings held by the board members, succession planning and size, diversity and demographics of the board. The statement has also indicated the existence of a board charter. The prescribed reporting template requires such information to be disclosed under the corporate governance statement.

### **Management Responses**

460. The management stated that the above-mentioned omissions have been noted and will not re-occur in the subsequent reports since the committee has been formed to assist the finance officer in confirming the correctness of the report before submissions. However, the omissions will be amended in the report.
461. The management agrees with the Auditor on the omission ICPAK number in the report, this was basically because the finance officer had not completed his KASNEB course as required. Currently the finance officer has completed his course as required by KASNEB, he has received the KASNEB schedule to book for the Workshop on Ethics and apply for exemption on workplace simulation workshops since he has enough practical work experience.
462. In the next financial reporting, the ICPAK number will be indicated. However, the summery of examination result notification for Post Advanced Level workshop schedules is attached for confirmation.

### ***Committee Observations***

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

#### **4.1.47 Non – compliance with law on ethnic composition**

464. Analysis of the personnel records for the college revealed that it had a total workforce of forty-seven (47) staff employed by the Board of governors, out of which fifteen (15) are trainers and thirty-two (32) are non-trainers. Out of the forty-seven (47) staff, forty-one (41) representing 87% were from the dominant ethnic community contrary to Section 7(2) the National Cohesion and Integration Act, Cap. 7N.

### **Management Response**

465. The management agrees with the Auditor. Most of the employees were casuals who were engaged on inception by the mentor institution, but later contracted for the period of 6 years. However, the problem will be resolved, since the college has already planned to employ, Internal Auditor, Human Resource Officer and Workshop Technicians to onboard people from all ethnic diversity. This can be evident in the Board Minutes allowing for employment and budget extracts attached.

### ***Committee Observations***

466. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **4.1.48 Lack of Approved Establishment and Career Progression Guidelines**


467. The statement of financial performance and as disclosed in Note 10 to the financial statements reflects Kshs. 7,050,354 in respect to employee costs. Documents provided for audit review revealed that during the period under review, the college had a total work force of one hundred and seven (107) staff out of which sixty (60) were employed by the Public Service Commission and forty-seven (47) were employed by the Board of Governors. Out of forty-seven (47) staff employed by the Board of Governors, fifteen (15) are trainers while thirty-two (32) are non-trainers. The forty-seven staff are all engaged on contract terms.
468. However, review of record revealed that the college did not an approved staff establishment shoes absence indicated that the college had not yet determined the skills and optimal staffing levels required to achieve its goals and objectives. In addition, there was no evidence that the college has prepared a human resource plan based on a comprehensive job analysis and there was no evidence of an approved salary structure and career progression guidelines as approved by the board of governors. Consequently, the college was in breach of section B.2(1) of Public Service Human Resource Policy, 2016 which requires Every Ministry/State Department to prepare Human Resource plans.

**Management Response**

469. The management concurred with the Auditor that there was that gap, but afterwards the management started the process of developing staff establishment guidelines. Currently the staff establishment guidelines and Human resource manual are available. The management gave a budget to Board of Governors for approval to fill the gaps for the Human Resource office, Internal Auditor and technicians.

**Committee Observations**

470. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

 <b>THE NATIONAL ASSEMBLY</b> <b>PAPERS LAID</b>	
<b>DATE:</b> 09 APR 2026	<b>DAY:</b> Thursday
<b>TABLED BY:</b>	Vice Chair Public Investment Committee on Governance and Education
<b>CLERK-AT THE-TABLE:</b>	Karela Tilihi

## **5.0 TAITA TAVETA TECHNICAL AND VOCATIONAL COLLEGE**

471. Mr. Martin Makokha, Principal, accompanied by;

- i) Mr. Peter Namayi- Finance Officer
- ii) Mr. Josiah Manga- Accountant

appeared before the Committee to adduce evidence on the audited accounts of Taveta Technical and Vocational College, on 10<sup>th</sup> February 2026, and informed the Committee as follows: -

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

#### **5.1.1 Inaccurate statement of changes in net assets**

472. The statement of changes in the net assets reflect net balances as at 30 June, 2023 of Kshs. 47,285,541 consisting of Kshs.528,889 and Kshs. 46,378,771 in respect of retained earnings and capital grants respectively. However, Recalculation of the totals shows Kshs. 7,042,566 and Kshs. 98,112,101 in the respect of retained earnings and capital grants resulting to unexplained variances of Kshs. 6,783,667 and Kshs. 51,733,330 respectively.

#### **Management Response**

473. The management submitted that all the errors and omissions were regrettable. However, the financial statement would be re-stated in the subsequent financial year 2025-2026.

#### **Committee Observation**

474. The Committee observed that there were errors and omissions in the financial statements leading to unexplained variances. These errors undermine the reliability of financial reporting and raise concerns over the adequacy of internal controls and financial management practices in the institution.

#### **Committee Recommendations.**

475. The Committee recommends that the Accounting Officer should: -

- i. ensure the financial statements are restated to present the correct position and the Office of the Auditor-General confirm compliance in the next audit cycle.
- ii. ensure that the Institution complies with Section 68(2) of the Public Finance Management Act (Cap. 412A) by maintaining financial and accounting records in accordance with the provisions of the Act.

476. Operationalize the financial management information systems for financial reporting to streamline data entry and processing, and in order to reduce manual errors and improve consistency.

477. In consultation with the Public Sector Accounting Standards Board (PSASB), ensure regular capacity building on financial reporting standards to the staff.

### **5.1.2 Inaccurate Intangible Assets Balance**

478. The statement of financial position and Note 32 to the financial statements reflects intangible assets balance of Kshs. 1,258,000. However, the movement schedule excludes the opening balance of Kshs. 1,808,000. Further, the statement of financial performance reflects amortization and impairment charge for the year of Kshs. 550,000 which was not explained or supported by management report on impairment.

#### **Management Response**

479. The Management submitted that all the errors and omissions were regrettable; however, the financial statement would be re-stated in the subsequent financial year 2025-2026

#### **Committee Observation**

480. The Committee observed that management acknowledged the errors and committed to restate the financial statements in the financial year 2025/2026.

#### **Committee Recommendation**

481. The Committee reiterates its observation and recommendation from the previous paragraph on the matter.

### **5.1.3 Inaccurate Statement of Cash flows**

482. The statement of cash flows reflects cash and cash equivalents balance of Kshs. 1,071,750. However, the opening balance cash of cash and cash equivalents reflected as Kshs.542,861 differs with prior year audited balance of Kshs.876,272 resulting to a variance of Kshs.333,411. Further, the closing balance as at 30 June, 2023 differs with Kshs.1,699,325 reflected in the statement of financial position and Kshs. 1,891,733 reflected in Note 26 to the financial statements resulting to and Kshs.819,983 respectively which have not been reconciled or explained. to variances of Kshs.627,575.
483. Further, net cash flows from investing activities reflects Kshs.550,000 for purchase of software. The balance excludes additions for fixed assets and other intangible assets of Kshs.2,997,400 and Kshs.1,808,000 resulting to a variance of Kshs.2,997,400 and Kshs. 1,258,000 respectively.

#### **Management Response**

484. The Management submitted that all the errors and omissions are regrettable; however, the financial statement would be re-stated in the subsequent financial year 2025-2026.

#### **Committee Observation**

485. The Committee reiterates its observation and recommendation from the previous paragraphs on the matter.

#### **5.1.4 Inaccurate Statement of Financial Performance**

486. The statement of financial performance reflects total expenses of Kshs.8,012,450. However, the amount excludes depreciation charge of Kshs.6,567,688 for property, plant, and equipment as disclosed in Note 31 to the financial statements resulting in understatement of total expenses by a similar amount. Further, the statement reflects employee costs of Kshs.2,259,988 which differs with the recalculated balance under Note 16 to the financial statements of Kshs.2,430,828 resulting to a variance of Kshs. 170,840.

##### **Management Response**

487. The Management submitted that the financial statement would be re-stated in the subsequent financial year 2025-2026.

##### **Committee Observation**

488. The Committee reiterates its observation and recommendation from the previous paragraphs on the matter.

#### **5.1.5 Inaccurate Trade and Other Payables from Exchange Transactions**

489. The statement of financial position and Note 35 to the financial statements reflects trade and other payables from exchange transactions of Kshs. 155,304 which differs with the balance of Kshs 6,639,929 reflected in Note 35 resulting to a variance of Kshs 6,484, 625.the Further, fees paid in advance of Kshs. 257,531 was erroneously deducted from trade payables of Kshs.6.639.929 reflected in Note 35 resulting to a variance of Kshs.6.484.625. payables for the current year and prior year resulting to understatement of trade and payables by Kshs.257.531 (2021/2022 Kshs. 1,026,257).

##### **Management Response**

490. Management submitted that the financial statement would be re-stated in the subsequent financial year 2025-2026

##### **Committee Observation**

491. The Committee reiterates its observation and recommendation from the previous paragraphs on the matter.

#### **5.1.6 Omission of Assets from Fixed Asset Register**

492. The statement of financial position and Note 31 to the financial statements reflects property, plant and equipment balance of Kshs.35,747,042. However, the balance excludes unknown value of assets including land, furniture, equipment and computers

##### **Management Response**

493. Management submitted that the financial statement would be re-stated in the subsequent financial year 2025-2026.

#### ***Committee Observation***

494. The Committee reiterates its observation and recommendation from the previous paragraphs on the matter.

#### **5.1.7 Unsupported Receivables from Exchange Transactions**

495. The statement of financial position and Note 27 to the financial statements reflects receivables from exchange transactions of Kshs.8,127,789. However, the balance was not supported by a detailed listing and ageing analysis. Further, no individual student ledgers were provided for audit confirmation of fees billed, amounts paid and outstanding balances.

#### **Management Response**

496. The Management submitted that the financial statement would be re-stated in the subsequent financial year 2025-2026

#### ***Committee Observation***

497. The Committee reiterates its observation and recommendation from the previous paragraphs on the matter.

#### **5.1.8 Budgetary Control and performance**

498. The summary statement of comparison of budget against actual amounts reflect final receipts budget and actual on comparable basis of Kshs. 14, 105,000 and Kshs. 9,141,340 respectively resulting to an under-funding of Kshs 4,963,660 or 35% of the budget.

#### **Management Response**

499. The management submitted that the budget shortfall was as a result of non-remittance of funds in time from the Government.
500. Management also stated that there was poor payment of school fees by the students.

#### ***Committee Observation***

501. The Committee observed that under funding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.
502. 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***

503. The Committee recommends that the Accounting Officer must strengthen the institutions 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.

504. 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.

#### **5.1.9 Failure to Approve the Budget**

505. The statement of comparison of budget and actual amounts reflects total income and total expenses budget of Kshs. 14,105,000 and Kshs. 15,365,000 respectively. However, the Management collected income and incurred expenses without an approved budget by the Cabinet Secretary

#### **Management Response**

506. The management concurred with the audit findings concerning failure to approve the budget. This was occasioned by not having a board of management in place. However, we have taken the auditor general recommendation positively and in subsequent year the matter will have been resolved.

#### **Committee Observation**

507. The Committee observed that the matter had been addressed through the establishment of a board of management and resolved in the subsequent years.

#### **5.1.10 Late Submission of the Financial Statements.**

508. The financial statements for the year ended 30 June, 2023 were submitted on 3 November, 2023 for audit, two months after the statutory deadline of 30 September, 2023. This delay is in contravention of Section 47(1) of the Public Audit Act, Cap. 412B which requires the financial statements to be submitted to the Auditor-General within three months after the end of the financial year.

#### **Management Response**

509. The management submitted that the accounts clerk office was vacated severally during the year and hence proved difficult to maintain the books of accounts. We were only relying on services of officers from our mother college (CIT) who have busy schedule. That is the reason why the statements were submitted late. Currently, we have accounts clerk in office and in the subsequent year all the books will be maintained properly.

### ***Committee Observation***

510. The Committee observed that the matter had been adequately addressed and resolved since management had recruited and appointed the accountant's clerk and the accounts are now accurately maintained and submitted promptly.

### **5.1.11 Lack of Effective Accounting System**

511. Review of accounting records and systems in place revealed that the institution did not have a robust accounting system, leading to manual recording of transactions, which resulted in inaccuracies and raised concerns about the competency of the institution's accounting practices.

### **Management Response**

512. The management submitted they concurred with the audit findings about effective accounting system. However, the Institution acquired EPR system (ABNO) to help in generating financial reports. Attached contract agreement.

### ***Committee Observation***

513. The Committee observed that the matter was addressed since the management acquired an ERP system (ABNO) to help in generating financial reports.

### **5.1.12 Lack of Segregation of Duties.**

514. Review of the financial records revealed that transactions were neither prepared nor authorized by different officers but were solely signed by the Principal. Additionally, all cash withdrawals for payment of goods and services were made in the principal's name, without established controls to monitor the handling or use of the funds.

### **Management Response**

515. The management submitted that they concur with the audit finding concerning segregation of duties. This is occasioned by lack of enough officers in the institution. The institution was under-funded and hence it had no funds to pay staffs. However, the institution has employed enough staffs and all the duties are now segregated. Attached is the staff established policy.

### ***Committee Observation***

516. The Committee observed that the matter has been satisfactorily addressed; Management has since recruited sufficient personnel by ensuring that all duties are now properly segregated in accordance with institutional policy.

### **5.1.13 Lack of Key Departments.**

517. Review of the organogram of the institution revealed that it had not established key departments such as procurement, finance and human resources which could effectively allocate roles and ensure responsibilities were effectively and efficiently executed.

### **Management Response**

518. Management submitted that the institution would establish departments in the subsequent year.

### ***Committee Observation***

519. The Committee observed that the institution has not yet established departments, with management citing funding constraints as the reason for the delay.

### ***Committee Recommendation***

520. The Committee recommends that management prioritize the establishment of Procurement, Finance, and Human Resources departments once funding becomes available, to ensure organizational structures are implemented and to enhance operational efficiency and accountability.
521. In the interim, the Accounting Officer should liaise with a sister institution to access the services of Procurement, Finance, and Human Resources officers to support the institution.

### **5.1.14 Lack of Key Management Policies**

522. Review of the Institution's structures revealed lack of established policies and regulations including finance, procurement, human resource, risk management policies and the Board charter. Additionally, essential policies for a TVET institutions such as the student admission policy, academic policy and others are yet to be approved.

### **Management Response**

523. The management submitted that during the audit review the policies were in preparation stage. Currently a number draft policies were awaiting approval by Board. The finance policy was availed for audit review.

### ***Committee Observation.***

524. The Committee observed that the institution has key management policies in draft stage awaiting approval by the Board.

### ***Committee Recommendation***

525. The Committee recommends that the Accounting Officer should ensure that all key management policies are approved by the Board within three (3) months of the adoption of this report by the House to ensure proper governance, compliance, and effective operational guidance across the institution.

#### 5.1.15 Lack of Internal Audit Department and Audit Committee

526. Review of Internal controls in place revealed that the institution lacked an internal audit department to regularly assess internal controls, risk management practices and operational efficiency.

#### Management Response

527. The management submitted that the institution has established an internal audit department.

#### Committee Observation

528. The Committee observed that the matter was adequately addressed and resolved as the institution currently has an established and functioning Internal Audit Department.

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

#### 5.1.16 Variance between Financial Statements and Supporting Schedules

529. Variance between Financial Statements and Supporting Schedules were noted as follows;

Components	Amount in Financial Statements (Kshs.)	Amount in Schedules (Kshs.)	Variance (Kshs.)
Transfers from Other National Government Entities	2,500,000	5,864,001.00	-3,364,001
Rendering of Services	2,500,000	5,864,001.00	-3,364,001
<b>Use of Goods and Services</b>			
Travelling and Accommodation	3,234,825.00	3,112,210.00	122,615.00
Sanitary Services	18,680.00	16,680.00	2,000.00
Board expenses	506,700.00	506,310.00	390.00
Depreciation and Amortization	708,000	1,708,055	-1,000,055.00
Property Plant and Equipment	35,556,083.00	51,733,330.00	-16,177,247.00

#### Management Response

530. The management submitted that all the errors and omissions are regretted however; the financial statement would be re-stated in the subsequent financial year 2025-2026.

### ***Committee Observations***

531. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **5.1.17 Variances in the Comparative Balances and Prior Year Audited Financial Statements**

532. The financial statements reflected variances between comparative balances and prior year audited financial statements as follows;

	<b>Financial Statements Comparative Balances (Kshs.)</b>	<b>Audited Financial Statements Balances for 2022-2023 (Kshs.)</b>	<b>Variance (Kshs.)</b>
Statement of Financial Position			
Property Plant and Equipment	49,211,330	35,747,042	13,464,288
Current Portion of Receivables from exchange transactions	6,897,460	8,127,790	1,316,684
Receivables from Non-Exchange Transactions	1,000,000	0	1,000,000
Inventory	128,680	0	128,680
Reserves	53,958,226	46,378,772	7,579,454
Statement of Cashflows			
Net cash flows from operating activities	528,889	1,078,889	550,000
Purchase of Property, plant, equipment and Intangible	550,000	-550,000	1,100,000
Notes to the Financial Statements			
Cash and Cash Equivalent	1,699,325	1,891,733	192,408
Current Receivables from Exchange Transactions	6,897,460	8,127,790	1,230,330
Receivables from Non-Exchange Transactions	1,000,000	0	1,000,000
Trade and Other Payables	968,447	6,639,929	5,671,482

### **Management Response**

533. The management submitted that all the errors and omissions are regretted; however, the financial statement would be re-stated in the subsequent financial year 2025-2026

### ***Committee Observations***

534. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **5.1.18 Inaccurate property, plant and equipment balances**

535. The statement of financial position and as disclosed in note 23 to the financial statements reflects property, plant and equipment balance of 35,556,083. Notes to the financial statement indicate property plant and equipment are stated at cost less accumulated depreciation and impairment losses. The notes further indicate that where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The property, plant and equipment balance of Kshs. 35,556,083 only relates to net book value for buildings, motor vehicles furniture and fittings, computers, plant equipment and capital work in progress. However, value of land is not disclosed.

#### **Management Response**

536. The management submitted that the land was reserved by Government of Kenya through the Ministry of Education, Science and Technology for construction of Taveta Technical and Vocational College.

#### ***Committee Observation***

537. The Committee observed that the land was reserved by Government of Kenya for construction of Taveta Technical and Vocational College. However, the land was yet to be valued.

#### ***Committee Recommendations.***

538. The Committee recommends that within six (6) months of the adoption of the report, the Accounting Officer should ensure the land is valued, and upon valuation, initiate the process of acquiring the title deed.

### **5.1.19 Variance between the Financial Statement Balances**

539. The statement of financial position reflects net assets of Kshs.44,155,836 which differs with the statement of changes in net assets balance of Kshs.41,947,782. The discrepancy of Kshs2,208,054 between the two financial statements balances was not explained or reconciled.

#### **Management Response**

540. Management submitted that the commissions and errors noted. however, the financial statement would be re-stated in the subsequent financial year 2025-2026.

#### ***Committee Observations***

541. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **5.1.20 Accuracy of Cash and Cash Equivalents**

542. The statement of financial position as at 30 June, 2024 reflects cash and cash equivalents balance of Kshs.175,393. The amount comprises of current account balance of Kshs.152,840 and cash balance of Kshs.22,553. However, review of the cash book and cash flow statement revealed that the college maintains an exam fee account at local bank in Taveta which was not disclosed in the financial statements.
543. Further, the statement of cash flows reflects cash and cash equivalents of Kshs. 175,393. However, casting of the net cash flows from operating activities of Kshs. 587,525 less, net cash flows used in investing activities of Kshs. 1,563,836 and adding cash and cash equivalent at 1 July, 2023 of Kshs. 1,699,325 resulting in cash and cash equivalents as at 30 June, 2024 of Kshs. 723,014. The variance of Kshs. 547,621 was not reconciled or explained.

#### **Management Response**

544. Management submitted that the account in question, is for exam payments only. Further, the financial statement would be re-stated in the subsequent financial year 2025-2026

#### **Committee Observations**

545. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **5.1.21 Unsupported Employee Costs**

546. The statement of financial statement as at 30 June, 2024 reflects Kshs. 3,431,937 for employee costs as detailed in Note 14 to the financial statements. However, monthly payrolls were not provided for audit review to support the reported employee costs.

#### **Management Response**

547. The management submitted that during the audit period they were not able to provide the monthly payroll due to lack of an accounts clerk.

#### **Committee Observation**

548. The Committee observed that the management had since employed an accounts Clerk, and the accounts are now accurately maintained and submitted promptly.

#### **Committee Recommendation**

549. The Committee recommends that the Accounting Officer should ensure continuous staffing of the Accounts Office and strengthen internal controls to guarantee proper and timely maintenance of the books of accounts, while also ensuring that no borrowing is undertaken without proper authorization and in compliance with the relevant legal and regulatory framework
550. The matter was adequately addressed and resolved.

### **5.1.22 Unsupported Trade and Other Payables from Exchange Transactions**

551. The statement of the financial position and Note 24 to the financial statements reflect trade and other payables from exchange transactions of Kshs.595,789. Note 24 to the financial statements shows that the payables include Kshs.20,000 from an unknown source. Further, payables include fees paid in advance of Kshs.227,141 which was not supported with a list of students whose fees were paid in advance. In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.595,789 could not be confirmed

#### **Management Response**

552. The management submitted that it was occasioned by migration of system from ABNO to INTELLIMS some of data could not be retrieved. However, going forward we shall make sure we stabilize the system and have a backup.

#### **Committee Observation**

553. The Committee observed the management acquired an ERP system. However, some modules were not fully operational.

#### **Committee Recommendation**

554. The Committee recommends that the Accounting Officer should ensure that all data is integrated and the system is fully operational by the time of the next audit.

### **5.1.23 Budgetary Control and performance**

555. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on a comparative basis of Kshs. 19,515,720 and Kshs. 13,470,175 respectively resulting in underfunding of Kshs: 6,045,545, Or 31% of the budget.

#### **Management Response**

556. Management submitted that the budget shortfall was as a result of non-remittance of funds in time from the Government and Poor payment of school fees by the students.

#### **Committee Observation**

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

### **5.1.24 Unresolved Prior Year Matters**

558. In the prior years' audit reports, 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. Review of the status during the audit of the Management had not resolved the issues nor given any explanation for the failure to implement the recommendations.

### **Management Response**

559. Management submitted that responses for the financial year 2022-2023 had been forwarded to the office of the auditor general for further review.

### **Committee Observation**

560. The Committee observed that the respective prior year matters had been addressed in the previous financial year and reiterates its recommendations.

### **5.1.25 Non-Compliance with Prescription on Board of Governors and Committees**

561. The College had an established board of governors but lacked board charter that defined the role, responsibilities and functions of the board to facilitate an efficient and effective implementation of its mandate. The board did not have a work plan setting out agreed schedule of meetings nor submitted its ALMANAC to the State Corporations Advisory Council as required by Head of the Public Service circular no. OP/CAB.9/14 dated March 11, 2020 on management of State Corporations.
562. Further, contrary to Section 29 (o) of the Technical and Vocational Education and Training Act, CP. 210A, the Board did not evaluate its performance and prepare comprehensive annual reports on all areas of their mandate, including education and training services and submit the same to the Board.
563. The board had established three committees which include; finance and operations, academic committee and audit and risk committees. The committees did not hold meetings during the year under review. This was contrary to Head of Public Service circular no OP/CAB.9/1A of March 11, 2020 that restricted meetings of a committee meetings to a minimum of four (4) and capped at a maximum of six (6) for each financial year.

### **Management Response**

564. The management submitted that this was as a result of lack of funds and also late remittance of funds from the Government. However, we have taken the recommendations of the auditor positively and we shall improve going forward.

### **Committee Observations**

565. The Committee observed that the institution currently has a Board of Governors in place in compliance with the Head of the Public Service circular no. OP/CAB.9/14 dated March 11, 2020 on management of State Corporations.

### **Committee Recommendations**

566. The Committee directed that the Board of Governors be fully operationalized in line with the Section 7(2) of the Second Schedule of the Technical and Vocational Education and Training Act, 210A to provide strategic leadership and oversight to the institution, including

addressing and reconciling all pending matters, strengthening governance structures, and ensuring effective management and accountability within the institution.

#### **5.1.26 Irregular Withdrawals from the Exam Fee Bank Account**

567. The College operated an exam fee account for purposes of paying student exam fees. A certificate of bank balance as at 30 June, 2024 indicated the account had a balance of Kshs.57,175.40. However, the College did not maintain cash book and bank reconciliation statements relating to the account contrary to Regulation 100 of Public Finance Management (National Government) regulations, 2015 that requires Accounting Officers to keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and to maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts.
568. Further, the account reflected transfers amounting to Kshs.1,730,420.00 to current account explained as borrowings to facilitate the operations due to late Government disbursements and the same was refunded back to the account at the time of paying the exam fees. However, there was no board approval authorizing the borrowings contrary to Section 29 of the Technical and Vocational Education and Training Act, Cap. 210A

#### **Management Response**

569. The management submitted that the accounts clerk office had been vacated severally during the year and hence proved difficult to maintain the books of accounts. Currently, we have accounts clerk in office and in the subsequent year all the books will be maintained properly they further stated that they had taken the recommendations of the auditor general positively and thus going forward no bowering we be done.

#### **Committee Observation**

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

#### **5.1.27 Irregular Procurement of ERP System**

571. The statement of financial position and Note 23 reflect intangible assets-internal development cost of Kshs.596,740 which relates to the acquisition of software with modules for student management, finance and accounts management and personnel management. Records show that the College entered into a service level agreement with a software vendor on 8 February, 2024 at a contract fee of Kshs.354,960 and a monthly subscription of Kshs.29,580. The procurement of the ERP was a replacement of a previously installed ERP System procured on 2 September, 2021 at contract sum of Kshs.2,958,000.
572. However, the following anomalies were noted on the procurement: -
- The procurement of the software was not in the annual procurement plan and was not budgeted. The procurement plan had been signed by the principal but not approved by the board. Section 53(2) of the Public Procurement and Asset

Disposal Act, Cap.412C requires an Accounting Officer to prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

- There was no requisition from the user department to initiate the procurement process accompanied by feasibility studies or surveys and reports and any other necessary information pertaining to the procurement. This was contrary to regulation 71. (1) of Public Procurement and Asset Disposal Regulations, 2020 that states that pursuant to Section 73 of the Act, the head of the user department shall initiate the procurement process through a requisition as per the approved procurement plan.
- The system was directly procured without fair competition and the management could not explain why the method was used contrary to Section 103 (2) of the Public Procurement and Asset Disposal Act, Cap. 412C.
- Further, the management explained the procurement of the new software was a directive from the Ministry but could not provide the correspondence to that effect.
- There was no evaluation of the previous accounting system and feasibility study of the new system to warrant the change of the system.

#### **Management Response**

573. The management submitted that ABNO and INTELLIMS were the same thing. ABNO was the company and INTELLIMIS the service provider. The management concurred with all the anomalies and had taken the recommendations positively. The contract agreement was provided for audit review.

#### ***Committee Observation***

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

#### **5.1.28 Lack of an Approved Budget**

575. Review of the budget estimates for the Taveta Technical and Vocational college for the year 2023/2024 revealed that it was not approved by the board as is required under Section 22(1) of the second schedule to the Technical and Vocational Educational Training Act, Cap. 210A The Act lists the functions of the governing bodies of training institutions as including preparing annual estimates of revenue and expenditure for the institution and incurring expenditure on behalf of the institutions. No estimates for the period and minutes approving the annual estimates by board were presented for audit review.

### **Management Response**

576. The management submitted that they concurred with the audit findings and would make sure the budget was approved in the subsequent year.

### ***Committee Observation***

577. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

### **5.1.29 Unconfirmed approval of the financial statement**

578. The statement of Board of Governors responsibility in financial statements indicates the financial statements were approved by the Board on 24th Sept, 2024 and signed on its behalf by the Chairman of the Board and the Accounting Officer/Principal. The financial statements are however signed on 5th May, 2025 indicating that the financial statements were adopted before they were prepared and before the financial period was completed.
579. Further, it was observed that the Chairman's signatures were inconsistent under Chairman's Statement in page x and statement of Board of Governors responsibilities in page xxv, statement of financial Performance and Statement of Financial position. The Finance Officer who signed the financial statements has no ICPAK number as required by the international Public Sector Accounting Standards Board Template.

### **Management Response**

580. The Management submitted that it shall re-state the financial statement in the 2025-2026. Further, that the institution relies on the services of an accounts clerk who is not registered under ICPAK.

### ***Committee Observation***

581. The Committee observed that the management failed to comply with the reporting requirements under IPSAS and did not have a finance officer to sign the statements.

### ***Committee Recommendation***

582. The Committee reiterates its recommendation that the Accounting Officer should liaise with the sister institutions for the services of a finance officer. Further, that the Accounting Officer should ensure that the institution complies with the reporting requirements under IPSAS.

### **5.1.30 Failure to constitute Board of survey**

583. Review of financial records revealed that management did not provide board of survey report on year-end cash balances. This is contrary to the National Treasury guidelines for end of year closing procedures for the financial year 2023/2024 vide circular no. AG.3/88/VOL.II(32) dated 15 May, 2024 which directs accounting officers to constitute a

board of survey to examine and verify the cash on hand and the bank balances as at close of business on the last working day (28 June, 2024) of the financial year.

**Management Response**

584. Management acknowledged the audit findings and we have taken their recommendations positively. The anomaly will be corrected in the subsequent year.

**Committee Observation**

585. The Committee observed that Management did not provide a Board of Survey report on the year-end cash balances as required by the National Treasury guidelines.

**Committee Recommendation**

586. The Committee reprimands the accounting Officer for failure to comply with the National Treasury guidelines as contained in circular no. AG.3/88/VOL.II(32) dated 15<sup>th</sup> May, 2024 directing accounting officers to constitute a board of survey, and recommends that the Accounting Officer should within one (1) month of the adoption of the report comply with the aforementioned circular.

**5.1.31 Lack of Risk Management Policy and Failure to Undertake Risk Assessment on Key processes**

587. Review of policies shows that Management had not put in place a Risk Management Policy, strategies and risk register to mitigate against risk. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal controls that builds robust business operations.

**Management Response**

588. The Management submitted that they concurred with the audit findings concerning the policies. They respond that all the policies are in preparation stage and the subsequent year they would be ready.

**Committee Observation**

589. The Committee observed that the institution did not have a risk management policy which potentially affects the institutions' ability to proactively identify, assess, and mitigate risks that could impact on its operations.

**Committee Recommendation**

590. The Committee recommends the Accounting Officer should fast track the preparation of the Risk management Policy and present it to the Board for approval within six (6) months upon adoption of this report by the House.

### **5.1.32 Lack of Effective Accounting Data and System Management**

591. The system was changed because according to the line ministry, the advisory was that we required a more effective and upgraded system.

#### **Management Response**

592. The management submitted that the system was changed because according to the line ministry, the advisory was that they required a more effective and upgraded system.

#### **Committee Observation**

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

### **5.1.33 Lack of an Approved Staff Establishment and Salary Structure**

594. During the year under review, the College carried out various human resource functions such as recruitment, selection, appointment and employee management. However, there was no approved staff establishment to inform on the vacancies for appointments and planning on employee development. The College also lacked an approved salary structure to determine the compensation rates due to the BOG employees. Therefore, it was not possible to determine the basis for compensating employees and whether the salary structure was aimed at ensuring fiscal sustainability, attract and retain talent and recognize productivity and performance.

#### **Management Response**

595. The management submitted that during the audit review they had not established a staff salary structure. However, they have now established one.

#### **Committee Observation**

596. The Committee observed that the institution currently has an approved staff establishment thus the issue is resolved.

### **5.1.34 Lack of Key Departments**

597. Review of the organogram of the institution revealed that it had not established key departments such as procurement, finance and human resources which could effectively allocate roles and ensure responsibilities were effectively and efficiently executed. In the circumstances, the effectiveness of service delivery could not be guaranteed.

#### **Management Response**

598. The management concurred with audit findings about key departments and committed to develop all policies in the subsequent financial year and all duties will be segregated.

***Committee Observation***

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

**5.1.35 Approval of Key Management Policies**

600. Review of the Institution's structures revealed lack of established policies and regulations including finance, procurement, human resource. Additionally, essential policies for a TVET such as the student admission policy, academic policy and others are yet to be approved.

**Management Response**

601. The management submitted that during audit review the policies were in preparation stage. However, they attached is the draft policy awaiting approval from the board.

***Committee Observation***

602. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

**5.1.36 Lack of Board Charter and Work Plan**

603. Audit of board operations revealed that the Board neither had an approved Board Charter outlining responsibilities and governance structures nor annual Board Work Plan detailing its planned activities for the financial year.

**Management Response**

604. Management submitted that during the audit review the institution had no board charter. However, the institution has already development a draft board charter awaiting board's approval. Further, work plan is in preparation stage and the subsequent year it will be presented.

***Committee Observation***

605. The Committee observed that the institution reported that they had in place a board charter and a work plan.

***Committee Observation***

606. The Committee recommends that the Accounting Officer should present the approved Board Charter and Work plan to the Office of the Auditor General for verification and the OAG to report in the next audit.

### **5.1.37 Weak Governance on Audit and Risk Management Framework**

607. Review of the governance and internal control structures of Taveta Technical and Vocational College revealed significant weaknesses risk management systems. Although the College reported having four Board committees, including an Audit and Risk Management Committee, no evidence of committee activities, minutes, or board expenses was provided for audit verification. Also, the Corporate Governance Statement lists only three committees, indicating inconsistencies and implying that no functional Audit Committee existed during the year. Further, the College did not provide a Risk Management Policy Framework or demonstrated the existence of fraud prevention mechanisms.

#### **Management Response**

608. Management submitted that during the audit review, the institution had no risk management framework. However, in the subsequent year all required controls would be in place.

#### **Committee Observation**

609. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

### **5.1.38 Lack of a Finance Policy**

610. Review of documents provided for audit revealed that the management of the college did not have a formal finance policy. Therefore, key financial processes lacked standardized procedures, including fees receipting and recording, banking and payment processes, debtor management and payables management.

#### **Management Response**

611. Management submitted that the institution has developed a draft finance policy awaiting approval from Board of Management.

#### **Committee Observation**

612. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

## **Audited statements for Financial Year 2024/2025-(Qualified Opinion)**

### **5.1.39 Inaccurate Statement of Changes in Net Assets**

613. The statement of changes in net assets reflects net assets balance as at 30 June 2025 of Kshs.52,546,505. The balance includes opening balance of Kshs.44,155,836 which differs with prior year audited balance of Kshs.41,947,782 resulting to an unexplained variance of Kshs.2,208,054. Further, the statement reflects Kshs.8,978,194 in respect of accumulated fund which differs the recalculated balance of Kshs.8,478,366 and the opening balance is shown as Kshs.587,525 instead of the audited balance of Kshs.175,393.

614. In addition, the statement has not been prepared in compliance with the prescribed format for presentation of financial statements by omitting the comparatives section.

**Management Response**

615. Management submitted that the errors and omissions were regrettable and that the financial statements would be restated in the subsequent financial year 2025/2026.

**Committee Observation**

616. The Committee observed that similar inaccuracies in financial statements had been raised in previous financial years, indicating lack of capacity on the part of the accountant and apparent weaknesses in financial reporting and review processes within the institution.

**Committee Recommendation**

617. The Committee recommends that the Accounting Officer should ensure that: -
- i. the institution employs a qualified public accountant who is registered under ICPAK
  - ii. financial statements are prepared in compliance with the prescribed IPSAS reporting templates before submission for audit and the OAG should confirm compliance in the next audit cycle.

**5.1.40 Inaccurate Statement of Cash Flows**

618. The statement of cash flows reflects cash and cash equivalents at 30 June 2025 of Kshs.1,066,166. However, recalculation of the closing balance shows Kshs.7,784,886 resulting to a variance of Kshs.6,718,720. No explanation was provided for the variance.

**Management Response**

619. The management submitted that the errors and omissions were regrettable and that the financial statements would be restated in the subsequent financial year 2025/2026.

**Committee Observation**

620. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

**5.1.41 Unsupported Property, Plant and Equipment Balance**

621. The statement of financial position and Note 22 to the financial statements disclosed property, plant and equipment balance of Kshs.34, 914,339, however, the movement schedule was not prepared in line with prescribed format for reporting property, plant and equipment. Further, recalculation of the net balance of buildings shows Kshs: 33,959,378 resulting in a variance of kshs.509,221.

### **Management Response**

622. The management submitted that it regrets all the errors and omissions in the financial statements, however, the financial statement would be re-stated in the subsequent financial year 2025-2026

### ***Committee Observation***

623. The Committee observed that failure to prepare asset schedules undermines the reliability of financial reporting and is contrary to IPSAS 17 on Property, Plant and Equipment, which requires proper disclosure and supporting documentation for asset-related transactions.

### ***Committee Recommendations.***

624. The Committee recommends that the Accounting Officer should ensure that the institution complies with IPSAS reporting requirements in the preparation of financial statements.

### **5.1.42 Unsupported Expenditure on Board Expenses**

625. The statement of financial performance and Note 15 to the financial statements reflects board/council expenses of Kshs.400,300. Review of the expenditure revealed that payments were not supported by board notices, board minutes, signed attendance registers and evidence of deduction and remittance of applicable taxes.

### **Management Response**

626. The management submitted that they concurred with the audit findings regarding payment for meetings and allowances for BOM members. However, the documents not availed during audit review but were later have provided.

### ***Committee Observation***

627. The Committee observed that the board allowances schedule of payment was surrendered for audit verification thus the issue has been adequately addressed and resolved.

### **5.1.43 Inaccuracies in Presentation of Financial Statements**

628. Review of the financial statements for the year ended 30 June, 2025 revealed the following issues on non-compliance with the prescribed reporting template and other financial presentation inaccuracies as highlighted below:
- The reporting template requires that Management reconciles the actual budget surplus amounts and cash and cash equivalents balance. The reconciliation tableau is not provided in the financial statements as required.
  - The reported surplus of Kshs.7,890,841 had not been reconciled to the net cash flow from operating activities as required by the reporting template
  - The financial statements are signed but the names of the signatories and the ICPAK number for the finance officer is not indicated.

- The statement of comparison of budget and actual amount reflects total budgeted income of Kshs.33,847,592 while audit re-computation shows Kshs.34,347,592 resulting to a variance of Kshs.500,000.

#### **Management Response**

629. The management submitted that they regret the errors and omissions. However, the statement will be re- stated in the subsequent financial year. They further stated that there was miscasting in the cash flow statement however, the inaccuracy will be reinstated
630. The institution further stated that they do not have a qualified public accountant. It only relies on services of an accounts clerk who is not registered under ICPAK. The variance was as a result of typical error and the management will adjust the opening balances in the financial year 2025-2026

#### **Committee Observation**

631. The Committee observed that the matter was addressed in the previous paragraph and reiterates its recommendations.

#### **5.1.44 Budgetary Control and performance**

632. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on a comparative basis of Kshs. 33,847,593 and Kshs. 19,162,669 respectively resulting in an income shortfall of Kshs. 14,684,923 or 43% of the budget. Similarly, Management spent Kshs.10,248,436 against actual receipts of Kshs.19,162,669 resulting to under absorption of Kshs.8,914,233 or 47% of the actual receipts.

#### **Management Response**

633. The management submitted that they concur with the audit findings however,
- the budget shortfall is as a result of non-remittance of funds in time from the Government.
  - Poor payment of school fees by the students.
634. Further, the under absorption of funds was as a result of receiving funds at the closure of the financial year.

#### **Committee Observation**

635. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

#### **5.1.45 Unresolved Prior Year Matters**

636. In the prior years' audit reports, 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.

### **Management Response**

637. The management concurred with the audit findings however, responses for the financial year 2023-2024 been forwarded to the office of the auditor general for further review.

### ***Committee Observation***

638. The Committee observed that the management provided responses to the prior year matters and reiterates its recommendations.

### **5.1.46 Breach of Data Protection Act**

639. Audit review revealed that Management collects, stores, and manages students' personal data through the INTELLIMIS ERP System. The system processes sensitive student information, including names, phone numbers, contact details, and location information. However, management did not provide a valid certificate of registration from the Office of the Data Protection Commissioner (ODPC) confirming compliance as a registered data controller or data processor as required under the Act. This is contrary to Section 18(1) of the Data Protection Act, Cap. 411C provides that, subject to subsection (2), no person shall act as a data controller or data processor unless registered with the Data Commissioner. Registration ensures that entities collecting and processing personal data are accountable for protecting the privacy and security of such information in accordance with the principles of data protection.

### **Management Response**

640. The management submitted that they have initiated the process and provided the invoice from the office of data protection commissioner.

### ***Committee Observation***

641. The Committee observed that the institution had initiated steps towards registration as a registered data processor in line with the Data Protection Act, Cap. 411C and directed the Office of the Auditor General to confirm compliance in the next audit.

### **5.1.47 Lack of Board Charter and Work Plan**

642. Audit of board operations revealed that the Board neither had an approved Board Charter outlining responsibilities and governance structures nor annual Board Work Plan detailing its planned activities for the financial year.

### **Management Response**

643. The management concurred with the audit findings. However, the institution has already development a draft board charter awaiting board's approval. The management further stated that the work plan was in preparation stage and the subsequent year it will be presented.

***Committee Observation***

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

**5.1.48 Weak Governance on Audit and Risk Management Framework**

645. Review of the governance and internal control structures of Taveta Technical and Vocational College revealed significant weaknesses risk management systems. Although the College reported having four Board committees, including an Audit and Risk Management Committee, no evidence of committee activities, minutes, or board expenses was provided for audit verification. Also, the Corporate Governance Statement lists only three committees, indicating inconsistencies and implying that no functional Audit Committee existed during the year. Further, the College did not provide a Risk Management Policy Framework or demonstrated the existence of fraud prevention mechanisms.

**Management Response**

646. The management concurred with the audit findings. However, the Institution has already formed all the relevant committees required and attached are minutes to confirm the same.

***Committee Observation***

647. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

**5.1.49 Lack of a Finance Policy**

648. Review of documents provided for audit revealed that the management of the college did not have a formal finance policy. Therefore, key financial processes lacked standardized procedures, including fees receipting and recording, banking and payment processes, debtor management and payables management.

**Management Response**

649. The management submitted that they were in agreement with the audit findings; however, the institution has developed a draft finance policy awaiting approval from Board of Management.

***Committee Observation***

650. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

## **6.0 KAKRAO TECHNICAL AND VOCATIONAL COLLEGE**

The Principal, Eng Felix Odhiambo was accompanied by;

- (i) Mr. Alvoih Norah - Finance Officer
- (ii) Mr. Hebert Ngaura - Internal Auditor

appeared before the Committee to adduce evidence on the audited accounts Kakrao Technical and Vocational College on 2<sup>nd</sup> February 2026, and informed the Committee as follows: -

### **Audited statements for Financial Year 2021/2022- (Qualified Opinion)**

#### **6.1.1 Inaccuracies in the Financial Statements**

651. Review of the College's financial statements revealed several inaccuracies. The statement of financial position reflects reserves balances of Kshs.4,699,927 and Kshs.391,847 as at 30 June 2022 and 30 June 2021 respectively relating to capital or development grants. Further, the statement reflects an accumulated surplus balance of Kshs.14,506,452 which differs from the recalculated balance of Kshs.20,446,056, resulting in an unexplained variance of Kshs.5,939,604 arising from omission of the accumulated surplus as at 30 June 2021.
652. Further, the statement of cash flows reflects net cash flows from operating activities of Kshs.5,138,529. However, Note 38 to the financial statements includes an increase in receivables of Kshs.10,184,414, which differs from the recomputed amount of Kshs.9,273,659, resulting in an unexplained variance of Kshs.911,755. Consequently, the recomputed net cash flows from operating activities amounted to Kshs.6,049,284, resulting in a variance of Kshs.911,755.
653. Further review revealed that the College maintained one cash book for two bank accounts, which is irregular.
654. Additionally, Note 30 to the financial statements reflects property, plant and equipment cost balance of Kshs.382,051 as at 1 July 2021, while the previous year's audited financial statements reflected Kshs.391,847, resulting in an unexplained variance of Kshs.9,796. In the circumstances, the accuracy of the financial statements as at 30 June 2022 could not be confirmed.

#### **Management Response**

655. Management submitted that they acknowledged the observations and stated that corrections were made in the subsequent financial year. Management further indicated that the College had since begun maintaining separate cash books for the two bank accounts.

#### **Committee Observation**

656. The Committee observed that the matter had been adequately addressed as the Auditor-General confirmed that corrections had been made in the subsequent financial year (2022/23).

### **6.1.2 Non-Compliance with the Prescribed Reporting Template**

657. Review of the annual report and financial statements revealed non-compliance with the financial reporting template for TVETs and TTCs revised in June 2022 as prescribed by the Public Sector Accounting Standards Board. Some section headings were incorrectly numbered or not numbered, the statement of performance against predetermined objectives was misnamed, Note 26(a) was shared by two disclosures, and the property, plant and equipment schedule reflected only one financial year instead of the required two years.
658. In the circumstances, the financial statements did not comply with the prescribed reporting template.

#### **Management Response**

659. Management acknowledged the observations and stated that the institution would adhere to the prescribed reporting template in subsequent financial years.

#### **Committee Observations**

660. The Committee observed that the management did not adhere to the prescribed reporting template in subsequent financial years.

#### **Committee Recommendations**

661. The Committee recommends that the Accounting Officer should ensure compliance with the financial reporting template for TVETs and TTCs as prescribed by the Public Sector Accounting Standards Board from time to time.
662. The accounting Officer should ensure regular capacity building for the accounting staff on financial reporting.

### **6.1.3 Unremitted Funds by Mentor Institution Reported as Revenue**

663. The statement of financial performance reflects transfers from the National Government grants amounting to Kshs.10,795,000, which included Kshs.1,617,500 disbursed by the State Department for Vocational and Technical Training to Kisii National Polytechnic, the mentor institution, on behalf of the College. However, the amount was not transferred to the College's bank account.
664. In the circumstances, the accuracy and completeness of the National Government grants amounting to Kshs.10,795,000 could not be confirmed.

#### **Management Response**

665. The Management submitted that the institution had initiated the recovery process by formally writing to the mentor institution and was awaiting a response regarding the transfer of the funds.

### ***Committee Observation***

666. The Committee observed that funds meant for the institution had not been remitted by the mentor institution, raising concerns regarding accountability and accuracy of reported revenue, which is contrary to Section 68(1) of the Public Finance Management Act, Cap, 412A, which requires accounting officers to ensure proper management and accountability of public funds.

### ***Committee Recommendation***

667. The Committee recommends that the Kisii National Polytechnic (mentor institution) should transfer the amount of Kshs.1,617,500 disbursed by the State Department for Vocational and Technical Training to the Polytechnic to Kakrao TVC., within one month of the adoption of this report by the House.

### **6.1.4 Accuracy of Property, Plant and Equipment Balance**

668. The statement of financial position reflects property, plant and equipment balance of Kshs.4,071,976, which differs from the balance of Kshs.2,709,126 in the fixed assets register, resulting in an unexplained variance of Kshs.1,362,850.
669. Further, the balance excluded a parcel of land measuring 2.2 hectares of unknown value. In addition, several assets listed in the asset register such as buildings, furniture and fittings, office equipment, tanks, computers and farm tools had no recorded values.
670. In the circumstances, the accuracy and completeness of the property, plant and equipment balance could not be confirmed.

### **Management Response**

671. The Management submitted that the valuation report from the government valuer had been used in preparation of the financial statements since several donated assets in the register lacked distinct values. Management further indicated that the asset register had since been updated to correspond with the valuation report and financial statements in the subsequent financial year.

### ***Committee Observation***

672. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

### **6.1.5 Budgetary Control and Performance**

673. The statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs.42,564,510 against actual receipts of Kshs.36,557,110, resulting in under-collection of Kshs.6,007,400 (14%).
674. Further, the College incurred expenditure of Kshs.22,050,657 against the approved budget of Kshs.42,564,510, resulting in under-expenditure of Kshs.20,513,853 (48%).
675. The under-collection and under-expenditure affected implementation of planned activities.

### **Management Response**

676. The Management submitted that the under-absorption of the budget resulted from non-receipt of all allocated grants from the parent Ministry.

### ***Committee Observation***

677. The Committee observed that the institution experienced significant under-collection of revenue and under-expenditure of the approved budget due to non-receipt of capitation funds from the parent Ministry, which affected implementation of planned activities. The Committee noted that this was a capitation matter affecting several institutions.
678. The Committee further observed that learning institutions were over-reliant on the government capitation and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

679. The Committee recommends the Ministry of Education, State Department for Vocational and Technical Training should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.
680. Further, that the Institution explores other income generating activities to supplement its income and reduce the dependence on government funding.

### **6.1.6 Unresolved Prior Year Audit Matters**

681. Review of the previous year's audit report revealed that several issues raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources had not been resolved.

### **Management Response**

682. The Management submitted that the institution had since conducted a valuation of donated assets, improved statutory remittance compliance and undertaken measures to improve ethnic diversity within the institution.

### ***Committee Observation***

683. The Committee observed that the unresolved prior year audit matters have been addressed by the committee.

### **6.1.7 Non-Compliance with the Law on Ethnic Diversity in Staffing**

684. Review of human resource records revealed that the College had 84 employees, out of which 81 employees (96%) were from one ethnic community. This contravenes Section 7 of the National Cohesion and Integration Act, Cap.7N, which requires that no public institution should have more than one-third of its staff from the same ethnic community.
685. In the circumstances, Management was in breach of the law.

### **Management Response**

686. The Management submitted that the institution was relatively small and offered low remuneration packages which limited attraction of diverse talent. However, management indicated that efforts had been made to improve diversity and the proportion of the dominant ethnic group had reduced to 72%.

### ***Committee Observation***

687. The Committee observed that the staffing composition of the institution did not comply with the legal requirements on ethnic diversity, which is contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which requires public institutions to reflect the diversity of the people of Kenya and prohibits any public establishment from having more than one-third of its staff from the same ethnic community. The Committee further observed that this is a cross-cutting issue affecting many institutions.

### ***Committee Recommendation***

688. The Committee recommends that the Accounting Officer should put in place deliberate measures to ensure full compliance with the law within two (2) years upon adoption of this report.

### **6.1.8 Lack of Approved Staff Establishment and Annual Recruitment Plan**

689. The College did not have an approved staff establishment or an annual recruitment plan. In addition, there was no evidence that job evaluations were conducted to determine staffing requirements or that vacant positions were advertised and interviews conducted.
690. In the circumstances, the regularity of staff recruitment and optimal staffing levels could not be confirmed.

### **Management Response**

691. The Management submitted that the institution was still in its start-up phase and did not have a Human Resource Department at the time of audit. However, the staff establishment existed in draft form and was later approved.

### ***Committee Observation***

692. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response and confirmed that the institution had an approved staff establishment in place.

### **6.1.9 Lack of Risk Management Policy and Business Continuity Plan**

693. The College had not developed policies and procedures to guide financial and managerial processes. In addition, the College lacked a risk management policy, risk register,

organizational chart, disaster recovery plan, business continuity plan, and code of conduct for employees.

694. In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

#### **Management Response**

695. Management submitted that the institution was in its inception phase during the audit period and most policies had not been approved. However, the institution had since developed and approved a risk management policy, risk register, organizational chart, code of conduct, disaster recovery plan and human resource policy.

#### **Committee Observation**

696. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response and confirmed that the institution had an approved staff establishment in place.

### **6.1.10 Lack of Vendor Licenses for Operating or Application Systems**

697. The College was using computers with software developed by an international company without possessing the necessary vendor licenses. As a result, the institution could not receive software updates, security patches or vendor support, exposing the system to security vulnerabilities.

698. In the circumstances, the security and confidentiality of the College's information systems could not be confirmed.

#### **Management Response**

699. The Management submitted that the computers had been donated with the software already installed. However, the institution had since acquired a genuine software license.

#### **Committee Observation**

700. The Committee observed that the matter had been resolved since management had acquired a genuine software license.

### **6.1.11 Lack of ICT Policy**

701. The College lacked an approved Information and Communication Technology (ICT) policy to guide management of the IT environment.

702. In the circumstances, the institution was exposed to risks relating to data security, information confidentiality and business continuity.

#### **Management Response**

703. The management submitted that the ICT policy had since been developed and approved.

#### ***Committee Observation***

704. The Committee observed that the matter had been satisfactorily addressed since the institution had developed an approved ICT policy.

#### **6.1.12 Lack of Updated Asset Register**

705. The fixed assets register was not prepared in accordance with the National Treasury template provided in Circular No. 23 of 2020. Several assets lacked critical information such as description, acquisition date, cost, serial number, tag number, asset condition and depreciation details. In addition, assets were not coded or tagged.
706. In the circumstances, the effectiveness of internal controls over management of assets could not be confirmed.

#### **Management Response**

707. The Management submitted that most assets had been donated and initially lacked adequate supporting information. Following the audit, the institution engaged a government valuer whose report enabled preparation of a comprehensive asset register.

#### ***Committee Observation***

708. The Committee observed that the matter had been satisfactorily addressed since the institution had developed a comprehensive asset register.

### **Audited statements for Financial Year 2022/2023- (Qualified Opinion)**

#### **6.1.13 Unconfirmed Revenue from Exchange Transactions**

709. The statement of financial performance and Note 8 to the financial statements reflects revenue from rendering of services amounting to Kshs.21,001,728, representing a decrease of Kshs.3,129,314 (13%) from Kshs.24,131,042 reported in the previous year.
710. However, review of receipt schedules and ledgers revealed several anomalies including the absence of an automated receipt management system, use of Excel schedules that could easily be manipulated, lack of details on receipt dates and bank transaction numbers, and multiple entries for individual students. Further, the reported revenue included Kshs.5,978,795 in respect of tuition fees and other vote heads which represented an unexplained increase of Kshs.5,367,907 from Kshs.610,888 reported in the previous year.
711. In the circumstances, the accuracy and integrity of revenue amounting to Kshs.21,001,728 could not be confirmed.

#### **Management Response**

712. The Management submitted that the College had since acquired an Enterprise Resource Planning (ERP) system with a finance module capable of generating receipts automatically. The system captures receipt dates, student numbers, bank transaction numbers and students' balances. Management further stated that the numerous entries previously observed were due to manual recording of receipts in Excel spreadsheets during the audit

year, and the issue had since been resolved following implementation of the ERP system. Management also indicated that the increase in tuition revenue resulted from growth in student enrolment from 538 to 777 students.

***Committee Observation***

713. The Committee observed that the matter had been satisfactorily addressed and resolved as the Auditor-General had confirmed that that the ERP system put in place sufficiently addressed the issues raised.

**6.1.14 Unsupported Employee Costs**

714. The statement of financial performance and Note 8 reflects employee costs amounting to Kshs.7,740,558, representing an increase of Kshs.3,061,118 (65%) from Kshs.4,679,440 reported in the previous year. However, review of payroll records revealed that the College did not provide a list of staff recruited or those who exited during the year. Further, Kshs.6,105,576 relating to salaries and wages lacked supporting contract agreements for contractual and casual staff, while Kshs.400,190 relating to welfare contributions lacked supporting schedules.
715. In the circumstances, the accuracy, completeness and propriety of employee costs amounting to Kshs.7,740,558 could not be confirmed.

**Management Response**

716. The Management submitted that the required supporting documentation had since been provided, including staff recruitment and exit schedules, employment contract agreements, welfare deduction summaries and payroll records.

***Committee Observation.***

717. The Committee observed that staff recruitment and exit schedules, employment contract agreements, welfare deduction summaries and payroll records had since been provided and verified by the Auditors thereby addressing the matter.

**6.1.15 Unsupported Receivables from Exchange Transactions**

718. The statement of financial position reflects receivables from exchange transactions amounting to Kshs.12,586,693, while the supporting schedule reflected Kshs.12,998,987, resulting in an unexplained variance of Kshs.412,294. In addition, management did not provide an ageing analysis or movement schedule for student debtors.
719. In the circumstances, the accuracy of receivables from exchange transactions could not be confirmed.

### **Management Response**

720. The Management submitted that the supporting schedules, including receivable ageing analysis and student debtor movement schedules, had since been prepared and provided for audit verification.

### ***Committee Observation***

721. The Committee observed that discrepancies remained between the financial statements and the supporting schedules relating to receivables from exchange transactions, which raises concerns regarding the accuracy of the reported balances and adequacy of supporting documentation, contrary to Section 68(1) of the Public Finance Management Act, Cap. 412A which requires accounting officers to ensure proper management of financial records and maintenance of accurate books of accounts.

### ***Committee Recommendation***

722. The Committee recommends that the Accounting officer should ensure that restated financial statement are submitted for audit review and the Auditor General should report in the next audit cycle.

### **6.1.16 Budgetary Control and Performance**

723. The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.28,952,012 against an approved budget of Kshs.59,626,510, resulting in underfunding of Kshs.30,674,498 (51%). Further, the College incurred expenditure of Kshs.36,114,571 against the approved budget of Kshs.59,626,510, resulting in under-expenditure of Kshs.23,511,939 (39%).
724. Additionally, the College incurred expenditure of Kshs.36,114,571 despite receiving actual revenue of Kshs.28,952,012, resulting in excess expenditure of Kshs.7,162,559, the source of which was not clearly explained.
725. The underfunding and under-expenditure affected the planned activities of the College and may have impacted service delivery.

### **Management Response**

726. The Management submitted that the variance arose from unpaid trade payables which formed part of the reported expenditures during the year. Management further stated that the significant variance between the budget and actual amounts resulted mainly from underfunding by the National Government through reduced capitation from the State Department for TVET.

### ***Committee Observation***

727. The Committee observed that the institution experienced significant under-collection of revenue and under-expenditure of the approved budget due to non-receipt of capitation

funds from the parent Ministry, which affected implementation of planned activities. The Committee noted that this was a capitation matter affecting several institutions.

728. The Committee further observed that learning institutions were over-reliant on the government capitation and did not exploit their own income generating internal capacity and potential.

#### ***Committee Observations.***

729. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **6.1.17 Unresolved Prior Year Audit Matters**

730. Review of the previous year's audit report revealed that several audit issues remained unresolved as at 30 June 2023, and management had not provided satisfactory explanations for the delay in resolving the issues.

#### **Management Response**

731. The Management submitted that receivables from exchange transactions had reduced from Kshs.13,393,142 to Kshs.12,586,693, and that the institution was actively working to resolve the remaining issues.

#### ***Committee Observation***

732. The Committee observed that the unresolved prior year audit matters have been addressed in the previous financial years and reiterates its recommendations.

#### **6.1.18 Non-Compliance with the Law on Ethnic Diversity in Staffing**

733. During the year under review, the College had 95 employees, out of which 80 employees (84%) belonged to the same ethnic community. This contravenes Section 7 of the National Cohesion and Integration Act, Cap.7N, which requires that no public institution should have more than one-third of its staff from the same ethnic community.

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

#### **Management Response**

735. The Management submitted that the institution faced challenges attracting staff from diverse backgrounds due to low remuneration levels and inability to offer house allowances for Board of Governors staff. However, management indicated that efforts had been made to improve diversity and the proportion of the dominant ethnic community had reduced to 76%.

#### ***Committee Observation***

736. The Committee observed that the staffing composition of the institution did not comply with the legal requirements on ethnic diversity, which is contrary to Section 7(1) and

Section 7(2) of the National Cohesion and Integration Act, Cap.7N which requires public institutions to reflect the diversity of the people of Kenya and prohibits any public establishment from having more than one-third of its staff from the same ethnic community. The Committee further observed that this is a cross-cutting issue affecting many institutions.

#### ***Committee Recommendation***

737. The Committee recommends that the Accounting Officer should put in place deliberate measures to ensure full compliance with the law within two (2) years upon adoption of this report by the House.

#### **6.1.19 Lack of Approved Staff Establishment**

738. Review of records revealed that the College did not have an approved staff establishment to determine optimal staffing levels required to achieve its objectives.

739. In the circumstances, it was not possible to ascertain whether staffing levels were optimal.

#### ***Management Response***

740. The Management submitted that a staff establishment existed at the time of audit but had not yet been formally approved by the Board of Governors. However, the staff establishment for FY 2023/2024 had since been prepared and approved.

#### ***Committee Observation***

741. The Committee observed that the matter had been satisfactorily addressed as the Auditor-General confirmed that the institution had an approved staff establishment in place.

#### **6.1.20 Lack of Imprest Register**

742. The College did not maintain a standard imprest register in the prescribed format. Further, imprests issued were not properly supported with imprest warrants, training programmes, attendance lists or travel documentation. In addition, imprest recipients did not acknowledge the amounts received on payment vouchers.

743. In the circumstances, the effectiveness of internal controls over imprest management could not be confirmed.

#### ***Management Response***

744. The Management submitted that the institution maintained a manual imprest register during the audit year and provided supporting documentation including training programmes, signed attendance registers and training reports. Management further indicated that the recently acquired ERP system would improve imprest management.

### ***Committee Observation***

745. The Committee observed that weak imprest management controls expose the institution to risks of misuse of public funds, which is contrary to Regulation 93 (4) (c) of the Public Finance Management (National Government) Regulations, 2015, which requires proper management, recording and accountability of imprests issued to officers.

### ***Committee Recommendation***

746. The Committee recommends that the Accounting Officer should ensure strict adherence to Regulation 93 (4) (c) of the Public Finance Management (National Government) Regulations, 2015 and have an imprest register in place within one (1) month of the adoption of this report by the House.

### **6.1.21 Lack of ICT Policy**

747. The College did not have an approved Information and Communication Technology (ICT) policy to guide governance of the IT environment. In addition, the institution lacked IT governance structures, IT security policies, system upgrade procedures, physical access controls and environmental controls.
748. In the circumstances, the effectiveness of the internal control system and risk management over the IT environment could not be confirmed.

### **Management Response**

749. The Management submitted that the institution had since developed and approved an ICT policy and established an ICT strategic committee.

### ***Committee Observation***

750. The Committee observed that the audit matter had been satisfactorily addressed since the Management had in place an approved ICT policy which was operational.

### **6.1.22 Ineffective Internal Audit Function**

751. During the year under review, the College did not have an effective internal audit function to assess internal controls, risk management and governance processes.
752. In the circumstances, the effectiveness of internal controls and governance systems could not be confirmed.

### **Management Response**

753. The Management submitted that during the audit period the institution relied on internal auditors from neighbouring institutions in line with guidance issued by the Ministry of Education TVET Circular Ref No. MOE/VTT/ADM/2/24/1/(28). Management further stated that an internal auditor had since been engaged and supporting documents including audit charter, audit work plan and audit committee minutes had been provided.

***Committee Observation***

754. The Committee observed that the matter had been satisfactorily addressed by appointment of the internal auditor pursuant to Section 68(2)(b) of the Public Finance Management Act, Cap. 412A and Regulation 160 of the Public Finance Management (National Government) Regulations, 2015

755. The Committee further recommends that the Accounting Officer should put in place an effective audit function within six (6) months upon adoption of this report.

**6.1.23 Lack of Risk Management Policy**

756. The College did not have a risk management policy, risk management framework or risk register to guide identification and mitigation of operational risks.

757. In the circumstances, the effectiveness of risk management and governance systems could not be confirmed.

**Management Response**

758. The Management submitted that the institution had since developed and approved a risk management policy and risk register, and had also established a disaster recovery plan.

***Committee Observation***

759. The Committee observed that the matter had been satisfactorily addressed as the Auditor-General confirmed that the institution had an approved risk management policy in place.

**6.1.24 Lack of Approved Strategic Plan**

760. During the year under review, the College did not have an approved strategic plan to guide achievement of institutional objectives.

761. In the circumstances, the College risked failing to achieve its intended objectives.

**Management Response**

762. The Management submitted that the institution had since developed and approved a Strategic Plan covering FY 2022/2023 to FY 2026/2027.

***Committee Observation***

763. The Committee observed that the audit query had been satisfactorily addressed as the institution had developed and approved a Strategic Plan covering the period FY 2022/2023 to FY 2026/2027 to guide achievement of institutional objectives.

## **Audited statements for Financial Year 2023/2024- (Qualified Opinion)**

### **6.1.25 Inaccuracies in the Financial Statements**

764. Review of the financial statements revealed inconsistencies between the statement of cash flows and the notes to the financial statements. The statement of cash flows reflects purchase of property, plant and equipment amounting to Kshs.4,172,930, while Note 18 reflects additions amounting to Kshs.3,516,760, resulting in an unreconciled variance of Kshs.656,170.
765. Further, Note 21 which reconciles the surplus for the year of Kshs.6,330,632 and net cash flows from operating activities amounting to Kshs.3,201,694 reflects working capital adjustments that differ from recomputed amounts. Variances were noted in inventories, receivables and payables resulting in an overall variance of Kshs.9,708,888.
766. In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

#### **Management Response**

767. The Management submitted that the observations and indicated that the corrections would be affected in the subsequent financial statements through prior year adjustments.

#### **Committee Observation**

768. The Committee observed that the matter had been satisfactorily addressed as the Auditor-General was satisfied with the management response and confirmed that corrections had been made in the subsequent financial year - 2024/2025.

### **6.1.26 Unconfirmed Rendering of Services – Fees from Students**

769. The statement of financial performance reflects fees from students amounting to Kshs.37,012,684. However, the College used Microsoft Excel to record fee collections, which lacked an audit trail and weakened controls over invoicing and revenue collection.
770. Further, the operations account was also used as a revenue collection account, weakening control over revenue accounting.
771. In the circumstances, the accuracy and completeness of revenue from rendering of services could not be confirmed.

#### **Management Response**

772. The Management submitted that the institution had opened a separate revenue account to strengthen revenue control and had transitioned to an ERP system to automate fee invoicing and collections, thereby improving audit trails and internal controls.

#### **Committee Observation**

773. The Committee observed that the matter was satisfactorily addressed and resolved as the management had opened and was operating a separate revenue collection account.

### **6.1.27 Unconfirmed Cash and Cash Equivalents**

774. The statement of financial position reflects cash and cash equivalents amounting to Kshs.2,536,569 held in two bank accounts. However, bank reconciliation statements were not provided for audit, and the balance was based on certificates of bank balances rather than cash book balances.
775. In the circumstances, the accuracy of cash and cash equivalents amounting to Kshs.2,536,569 could not be confirmed.

#### **Management Response**

776. The Management submitted that it had reviewed the cash book balance as at 30 June 2024 and confirmed that the cash book balance corresponded with the bank balance certificates. Supporting documentation including bank reconciliation statements had been provided.

#### **Committee Observation**

777. The Committee observed that the management submitted bank reconciliation statements which were verified by the auditors thereby addressing the matter.

### **6.1.28 Unconfirmed Receivables from Exchange Transactions**

778. The statement of financial position reflects receivables from exchange transactions amounting to Kshs.11,159,587. However, management did not maintain a receivables ledger showing opening balances, billings, receipts and adjustments.
779. Further, the College invoiced Kshs.55,142,861 but collected only Kshs.24,752,316 (45%), and the receivables balance was not supported by an ageing analysis.
780. In the circumstances, the accuracy, completeness and recoverability of receivables amounting to Kshs.11,159,587 could not be confirmed.

#### **Management Response**

781. The Management submitted that a debt recovery plan and debt recovery policy had been developed and additional measures including the use of student gate pass forms to enforce fee payment compliance had been introduced.

#### **Committee Observation**

782. The Committee observed that the management provided the debt recovery plan and debt recovery policy to the auditors for audit review and the matter was adequately addressed and resolved.

### **6.1.29 Non-Compliance with the Prescribed Reporting Framework**

783. Review of the financial statements revealed that the statement of financial position lacked the “represented by” sub-heading in the financing section. In addition, discrepancies were noted between revenue and expenditure figures reported in the statement of financial

performance and the statement of comparison of budget and actual amounts, without the required reconciliation.

784. In the circumstances, the financial statements did not comply with the accounting standards prescribed by the Public Sector Accounting Standards Board and management was therefore in breach of the law.

#### **Management Response**

785. The Management submitted the observation and indicated that the institution would comply with the prescribed reporting framework in subsequent financial statements.

#### **Committee Observation**

786. The Committee observed that the financial statements did not fully comply with the reporting framework prescribed by the Public Sector Accounting Standards Board, which is contrary to Section 193 of the Public Finance Management Act, Cap.412A which requires public entities to prepare financial statements in accordance with prescribed accounting standards.

#### **Committee Recommendation**

787. The Committee recommends that the Accounting Officer must ensure strict compliance with the prescribed Public Sector Accounting Standards Board reporting framework future financial statements.

### **6.1.30 Budgetary Control and Performance**

788. The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.49,743,928 against actual revenue of Kshs.45,976,173, resulting in underfunding of Kshs.3,767,755 (8%).

789. Further, the College spent Kshs.42,774,979 out of actual receipts of Kshs.45,976,173, resulting in under-utilization of Kshs.3,201,194 (7%).

790. The underfunding and under-utilization may have negatively affected planned activities and learning in the institution.

#### **Management Response**

791. The Management that the variance resulted from economic challenges affecting fee collection from students. However, the institution had approached donors and government entities to support students, which had helped reduce outstanding student debt.

#### **Committee Observation**

792. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

### **6.1.31 Unresolved Prior Year Audit Matters**

793. Review of previous audit reports revealed that several audit issues remained unresolved as at 30 June 2024, and evidence showing how the issues had been resolved was not provided.

#### **Management Response**

794. Management stated that the prior year issues had been resolved and supporting evidence was attached in the financial statements for FY 2022/2023.

#### ***Committee Observation***

795. The Committee observed that the unresolved prior year audit matters had been addressed in the previous financial years and reiterates its recommendations.

796.

### **6.1.32 Failure to Register Trainers**

797. The College had 44 trainers employed on three-month contracts who were not registered by the Technical and Vocational Education and Training Authority (TVETA) as required under Section 23(1) of the TVET Act, Cap. 210A.

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

#### **Management Response**

799. The Management submitted that some trainers had undergone pedagogical training, others had enrolled for training, and some had already obtained TVETA licenses.

#### ***Committee Observation***

800. The Committee observed that the institution had employed trainers who were not registered by the Technical and Vocational Education and Training Authority, which is contrary to Section 23(1) of the Technical and Vocational Education and Training Act, Cap. 210A, which requires trainers in TVET institutions to be registered by TVETA.

#### ***Committee Recommendation***

801. The Committee recommends that the Accounting Officer should ensure compliance with Section 23(1) of the Technical and Vocational Education and Training Act, Cap. 210A, by ensuring that all trainers are duly registered with TVETA.

### **6.1.33 Failure to Approve Budget**

802. The Board approved a revenue and expenditure budget of Kshs.49,793,928, but there was no evidence that the budget had been submitted to and approved by the Cabinet Secretary for Education.

803. Further, the College did not maintain a vote book as required under the Regulation 52 (1) (d) of the Public Finance Management (National Government) Regulations, 2015

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

### **Management Response**

805. The Management submitted that the budget had been submitted to the National Treasury and Ministry of Education and that the institution had since acquired a vote book and implemented an ERP system that maintains an electronic vote book.

### ***Committee Observation***

806. The Committee observed that the institution did not obtain approval of its budget from the Cabinet Secretary for Education and did not maintain a vote book, which is contrary to the Technical and Vocational Education and Training Act, Cap. 210 A and Regulation 43 of the Public Finance Management (National Government) Regulations, 2015, which require public entities to maintain proper budgetary control records.

### ***Committee Recommendation***

807. The Committee reprimands the accounting officer for failing to comply with the Technical and Vocational Education and Training Act, Cap. 210 A and Regulation 43 of the Public Finance Management (National Government) Regulations, 2015, on maintenance of proper budgetary control records. Further, that the Accounting Officer should ensure that the institutions budget is approved by the Ministry of Education as required by law.

### **6.1.34 Lack of License from TVETA**

808. The College was operating without a valid license from the Technical and Vocational Education and Training Authority (TVETA) as required under the TVET Act, Cap. 210A.  
809. In the circumstances, the College may have been operating illegally.

### **Management Response**

810. Management clarified that a TVETA license existed but had been temporarily withheld pending completion of the tuition block building, and that the institution had been granted interim program accreditation to continue operations.

### ***Committee Observation***

811. The Committee observed that operating without a valid license from the Technical and Vocational Education and Training Authority exposes the institution to regulatory risks and is contrary to Section 23 (1) of the Technical and Vocational Education and Training Act, Cap. 210A, which requires TVET institutions to obtain valid licensing from TVETA.

### ***Committee Recommendation***

812. The Committee recommends that the Accounting Officer should ensure that the institution maintains valid regulatory approvals at all times. Further, the institution should obtain the license within six (6) months of the adoption of the report.

### **6.1.35 Non-Compliance with Law on Ethnic Composition in Staffing**

813. Review of employee records revealed that 69 out of 94 employees (73%) belonged to one ethnic community, contrary to Section 7 of the National Cohesion and Integration Act, Cap.7N.
814. In the circumstances, management was in breach of the law.

#### **Management Response**

815. The Management submitted that limited remuneration packages affected attraction of diverse staff. However, improvements had been made in ethnic diversity, reducing dominance of the ethnic group from 76% to 73%.

#### **Committee Observation**

816. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **6.1.36 Idle Flour Milling Machine**

817. The College received a flour milling machine from the Ministry of Education intended for student training and production activities. However, the machine had not been commissioned because the institution lacked the required three-phase electricity connection, rendering the machine idle.
818. In the circumstances, value for money from the acquisition of the machine could not be confirmed.

#### **Management Response**

819. The Management submitted that it had requested installation of a three-phase electricity transformer through the Ministry of Energy and expected the issue to be resolved once the electricity connection was provided.

#### **Committee Observation**

820. Committee observed that failure to operationalize the flour milling machine resulted in an idle public asset and undermined value for money in the use of public resources.

#### **Committee Recommendation**

821. The Committee recommends that the Ministry of Energy and the relevant State Agency should consider and prioritise the request from the institution to fast-track installation of the required electricity infrastructure to ensure the equipment is utilized for its intended purpose.

### **6.1.37 Long Outstanding Accounts Payable**

822. The statement of financial position reflects trade and other payables amounting to Kshs.5,400,986, including 62 transactions totalling Kshs.3,581,226 that had remained

unpaid for more than 60 days, contrary to Regulation 150(4) Public Procurement and Asset Disposal Regulations, 2020.

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

#### **Management Response**

824. The Management submitted that there were outstanding debts but indicated that improvements in cash flow had reduced payables and that efforts were ongoing to settle the outstanding obligations.

#### **Committee Observation**

825. The Committee observed that failure to settle supplier invoices within the prescribed timelines was contrary to the Public Procurement and Asset Disposal Regulations, 2020, which require prompt payment of suppliers for goods and services delivered.

#### **Committee Recommendation**

826. The Committee recommends that the Accounting Officer should ensure settlement of outstanding obligations within one (1) year upon adoption of the report by the House.

### **6.1.38 Lack of Risk Management Policy and Framework**

827. The College had not developed or implemented a risk management policy, framework or updated risk register, and did not have a disaster recovery plan, contrary to provisions of the Public Finance Management Regulations.

828. In the circumstances, management was in breach of the law and the effectiveness of risk management could not be confirmed.

#### **Management Response**

829. The Management submitted that the institution had since developed a risk management policy, risk register and disaster recovery plan to strengthen risk management processes.

#### **Committee Observation**

830. The Committee observed that the matter was satisfactorily addressed and resolved as the management had put in place risk management policy framework.

### **6.1.39 Lack of Internal Audit Function**

831. During the year under review, the College did not have an internal audit department as required under the Public Finance Management Regulations, 2015.

832. In the circumstances, the effectiveness of internal controls, risk management and governance processes could not be confirmed.

### **Management Response**

833. The Management submitted that the institution relied on internal audit support from Kisii National Polytechnic and later engaged an auditor from Sikri Technical and Vocational College in line with guidance from the Ministry of Education.

### ***Committee Observation***

834. The Committee observed that the institution had engaged an auditor from Sikri Technical and Vocational College and the matter was satisfactorily addressed.

### **6.1.40 Lack of Staff Establishment**

835. The College did not have an approved staff establishment or human resource plan, making it difficult to determine optimal staffing levels.

### **Management Response**

836. The Management submitted that the staff establishment and human resource plan had since been prepared and approved by the Board.

### ***Committee Observation***

837. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response and confirmed that the institution had an approved staff establishment in place.

### **6.1.41 Integrity of Payroll Data**

838. Employee costs amounting to Kshs.10,941,046 were reported in the financial statements. However, the payroll records were maintained in Excel spreadsheets and lacked critical employee information including KRA PIN, date of birth, designation and gender.

839. In addition, payment vouchers indicating the vote charge and authorization were not prepared.

840. In the circumstances, the integrity of payroll data and effectiveness of internal controls over payroll could not be confirmed.

### **Management Response**

841. The Management submitted that payroll information was still maintained in Excel but the institution had begun implementing an ERP system, with plans to acquire a Human Resource module in the next phase to strengthen payroll management.

### ***Committee Observation***

842. The Committee observed that maintaining payroll records in Excel spreadsheets without complete employee information weakens payroll controls and exposes the institution to risks of payroll irregularities.

### ***Committee Recommendation***

843. The Committee recommends that the Accounting Officer should fast-track the implementation of the ERP system to strengthen payroll management within six (6) months upon the adoption of this report.

## **Audited statements for Financial Year 2024/2025 (Qualified Opinion)**

### **6.1.42 Inaccuracies in the Financial Statements**

844. Review of the financial statements revealed several inaccuracies. The statement of financial performance reflects use of goods and services amounting to Kshs.33,284,619, while the supporting general ledger indicated Kshs.31,942,369, resulting in an unreconciled variance of Kshs.1,342,250.
845. Further, the statement of financial position reflects receivables from exchange transactions amounting to Kshs.44,542,538, which differed from the recomputed balance of Kshs.50,122,319, resulting in an unreconciled variance of Kshs.5,579,781.
846. In addition, the statement of financial position reflects trade and other payables amounting to Kshs.9,357,113, while the recomputed balance amounted to Kshs.5,804,642, resulting in a variance of Kshs.3,552,471.
847. Further review revealed that the statement of comparison of budget and actual amounts did not include the opening cash and cash equivalents balance of Kshs.2,536,569 as budget carryovers from the previous year. The statement also reflected utilization percentages instead of utilization difference percentages, and budget notes did not include explanations for changes between the original and final budget.
848. In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

### **Management Response**

849. The Management submitted that the variance in the use of goods and services resulted from reclassification adjustments between employee costs and use of goods and services. Management further acknowledged the observations in the financial statements and indicated that the necessary corrections would be made in the subsequent financial statements through prior year adjustments. Management also explained that the variance in payables arose from inclusion of student prepayments amounting to Kshs.3,064,132. The omission of the budget carryover and utilization difference percentages was attributed to a typographical error.

### ***Committee Observation***

850. The Committee observed that inconsistencies and unreconciled variances in the financial statements undermine the accuracy and fair presentation of the institution's financial records, which is contrary to Section 164(1) of the Public Finance Management Act, Cap. 412A, which requires public entities to prepare financial statements in accordance with prescribed accounting standards.

***Committee Recommendation***

851. The Committee recommends that the Accounting Officer should ensure that all variances are properly reconciled and corrections effected through prior year adjustments in subsequent financial statements.

**6.1.43 Long Outstanding Receivables from Exchange Transactions**

852. The statement of financial position reflects receivables from exchange transactions amounting to Kshs.44,438,858, including Kshs.5,518,356 that had been outstanding for more than one year. In addition, student debtors increased by 75% during the year, indicating weaknesses in the collection strategy for outstanding student fees.
853. In the circumstances, the accuracy and recoverability of receivables amounting to Kshs.44,438,858 could not be confirmed.

**Management Response**

854. The Management submitted that the high receivables balance resulted from delays in government scholarships, capitation and HELB disbursements. Management further noted that most students come from vulnerable backgrounds and face challenges paying fees on time. The institution indicated that it had developed a debt recovery plan and continued to engage the State Department for TVET regarding delayed capitation.

***Committee Observations.***

855. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**6.1.44 Budgetary Control and Performance**

856. The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.69,300,587 against actual revenue of Kshs.45,721,389, resulting in underfunding of Kshs.23,579,198 (30%).
857. The underfunding affected implementation of planned activities and may have negatively impacted learning at the College.

**Management Response**

858. The Management submitted that the variance resulted from economic challenges that affected student fee payments. Management further indicated that the institution had engaged donors, government entities and non-governmental organizations to support students and improve revenue collection.

### ***Committee Observation***

859. The Committee observed that the matter arose due to delayed capitation releases by the Government. Furthermore, the Committee noted that the issue has recurred in previous financial years and reiterates its earlier recommendations on the same.

### **6.1.45 Unresolved Prior Year Audit Matters**

860. Review of previous audit reports revealed that several issues raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls remained unresolved as at 30 June 2025.

#### **Management Response**

861. The Management submitted that the issues raised in the prior year audit had been addressed and supporting evidence was provided in the appendices of the financial statements for FY 2024/2025 and FY 2023/2024.

#### ***Committee Observation***

862. The Committee observed that the unresolved prior year audit matters had been addressed in previous financial years and reiterates its earlier recommendations on the same.

### **6.1.46 Failure to Register Trainers**

863. During the year under review, the College contracted 41 trainers, out of which 39 trainers were not registered by the Technical and Vocational Education and Training Authority (TVETA) as required under Section 23(1) of the TVET Act, 2013.

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

#### **Management Response**

865. The Management submitted that several trainers had already undergone pedagogical training, others had enrolled for training, and some had already obtained TVETA licenses.

#### ***Committee Observations.***

866. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **6.1.47 Lack of License from TVETA**

867. The College operated without a valid license from the Technical and Vocational Education and Training Authority (TVETA) as required under the TVET Act, Cap. 210A

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

#### **Management Response**

869. Management clarified that a TVETA license exists under reference TVETA/PUBLIC/TVC/0039/2021, but had been temporarily withheld pending

completion of the tuition block building. Management indicated that the institution had received interim program accreditation from TVETA to continue operations.

***Committee Observation***

870. The Committee observed that operating without a valid license from the Technical and Vocational Education and Training Authority exposes the institution to regulatory risks and is contrary to the Technical and Vocational Education and Training Act, Cap. 210A, which requires TVET institutions to obtain valid licensing from TVETA.

***Committee Recommendation***

871. The Committee recommends that the Accounting Officer should ensure that the institution maintains valid regulatory approvals at all times. Further, the institution should obtain the license within six (6) months upon the adoption of the Report.

**6.1.48 Non-Compliance with the Law on Ethnic Composition in Staffing**

872. Review of employee records revealed that 68 out of 94 employees (73%) were from the same ethnic community, contrary to Section 7 of the National Cohesion and Integration Act, Cap.7N, which requires that no public institution should have more than one-third of its staff from the same ethnic community.

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

***Management Response***

874. The Management submitted that the institution faced challenges attracting diverse staff due to low remuneration and lack of housing allowances for Board of Governors staff. However, management indicated that efforts had improved diversity, reducing the dominant ethnic group to 72%.

***Committee Observation***

875. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendation.

**6.1.49 Underpayment of Staff**

876. Review of the payroll for June 2025 revealed that 47 employees were earning less than Kshs.14,025, contrary to the Regulation of Wages (General Amendment) Order of May 2022, which sets the minimum monthly wage in Migori County at Kshs.14,025.40.

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

***Management Response***

878. Management acknowledged the finding and explained that corrective measures had been implemented. Salaries of affected employees had been adjusted to meet the minimum wage requirement.

### ***Committee Observation***

879. The Committee observed that the underpayment was as a result of introduction of new statutory deductions but had been regularized thereby addressing the matter.

### **6.1.50 Long Outstanding Accounts Payable**

880. The statement of financial position reflects trade and other payables amounting to Kshs.9,322,284, including Kshs.2,935,803 outstanding for more than 120 days. The balance had increased from Kshs.5,400,986 in the previous year to Kshs.9,322,284, representing an increase of 58%.

881. In the circumstances, management was in breach of the law and exposed the College to potential legal disputes.

### **Management Response**

882. The Management submitted that the outstanding balances resulted from delayed government funding and shortfalls under the student funding model. Management indicated that the institution was actively collecting outstanding student balances and engaging donors such as NG-CDF, county governments and NGOs to support students and improve cash flow.

### ***Committee Observation***

883. The Committee observed that the institution had accumulated significant long outstanding receivables, indicating weaknesses in the collection strategy for student fees and debt management, which undermines effective financial management and is contrary to Section 68(1) of the Public Finance Management Act, Cap.412A, which requires accounting officers to ensure proper management of public resources.

### ***Committee Observations.***

884. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendation.

## **7.0 LAISAMIS TECHNICAL AND TRAINING INSTITUTE**

Mr Mr. Charles K. Rotich, Principal accompanied by: -

(i) Mr. Bosco Kombe- Finance Officer

appeared before the committee to adduce evidence on the Audited Accounts of Laisamis Technical and training institute for the Financial Years 2022/2023 to 2024/2025, and informed the Committee as follows: -

### **Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)**

#### **7.1.1 Unsupported Property, Plant and Equipment**

885. The statement of financial position reflects property plant and equipment balance of Kshs.58,636,926 as disclosed in Note 16 to the financial statements. However, the Institute has two (2) parcels of land donated by the community measuring 51.90 acres and 41.72 acres respectively whose ownership documents and valuation report were not provided for audit. In addition, the Institute did not maintain a fixed asset register for the year under review.

#### **Management Response**

886. The management submitted that the two parcels of institute land mentioned above were donated by the community and were under trust of Marsabit County Government. The management submitted that at the time of audit, the two plots had been registered with the County lands office and were awaiting survey and preparation of Physical Development Plan which was a requirement for subsequent processing of land ownership. The management further stated that the institute management was committed to progress the process in the current financial year 2025/2026. The management submitted that they would engage a competent valuer to establish how much the two plots were worth and other assets of the institute and maintain assets register for all items.

#### **Committee Observations**

887. The Committee observed that: -

- i. the management acknowledged the absence of ownership documents and valuation reports for two parcels of land measuring 51.90 acres and 41.72 acres respectively.
- ii. the management claimed to have registered the two plots with the County lands office and was awaiting survey and Physical Development Plan.
- iii. the management acknowledged the lack of a fixed asset register for the year under review and committed to engaging a valuer and maintaining an asset register moving forward.

#### **Committee Recommendations**

888. The Committee recommends that Management should fast-track the acquisition of title deeds for the two parcels of land and submit proof of ownership to the Auditor-General within three (3) months of the adoption of this Report.

889. The Committee further recommends that, within the same period, Management should engage a qualified valuer to establish the fair value of the two land parcels and other Institute assets, and ensure that an up-to-date and comprehensive fixed asset register is maintained in line with Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015. The Auditor-General should thereafter confirm compliance and report in the subsequent audit cycle.

#### **7.1.2 2. Budgetary Control and Performance**

890. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.14,251,200 and Kshs.12,329,234 respectively resulting to an under-funding of Kshs.1,786,966 or 13% of the budget. However, the Institute spent Kshs.7,896,744 against actual receipts of Kshs.12,329,234 resulting to an under-expenditure of Kshs.4,567,490 or 37% of the actual receipts.

#### **Management Response**

891. The management submitted that the larger part of the underfunding was attributed to unremitted student capitation. The management submitted that the Kshs.1,786,966 underfunding was unremitted capitation. The management further stated that no capitation was received in quarter four during the 2022/2023 financial year, and that third quarter capitation was received at the end of the year and hence much of it though committed had not been dispensed.

#### **Committee Observation**

892. The Committee observed that the management attributed the underfunding to unremitted student capitation. The Committee further observed that the management acknowledged that capitation for the third quarter was received late in the financial year, and no capitation was received in the fourth quarter, leading to an under-expenditure of Kshs.4,567,490 or 37% of actual receipts.

#### **Committee Recommendation**

893. The Committee recommends that, within six (6) months of the adoption of this Report, the Accounting Officer should develop and implement a comprehensive budget formulation framework to ensure that all revenue projections are realistic, based on credible assumptions, and aligned with available resources. The framework should incorporate historical revenue performance, analysis of economic trends, and confirmed funding commitments from the Government and other sources.
894. The Committee further recommends that the Accounting Officer should ensure that the annual financial statements include a detailed budget comparison statement, with clear explanations for all material variances between budgeted and actual amounts, in full compliance with IPSAS 24. Evidence of implementation, including the approved framework, supporting documentation, and IPSAS 24-compliant financial statements,

should be submitted to the Auditor-General for verification and reporting in the subsequent audit cycle.

### **7.1.3 Late Submission of Financial Statements**

895. The financial statements of Laisamis Technical Training Institute for the year ended 30 June, 2023 were submitted on 4 April, 2025 one and a half years after the statutory requirement. This was contrary Section 47(1) of the Public Audit Act, Cap.412B which provides for submission of financial statements to the Auditor General within three months after the end of the fiscal year to which the accounts relate.

#### **Management Response**

896. The management submitted that in respect to the matter aforementioned, the delay was occasioned by lack of capacity in the preparation of the final statements at the time specified in the Public Audit Act. Additionally, that they had, however, put in place measures to ensure that future financial statements were prepared on time. The management further stated that these measures included installation of an ERP system to ease in generation of reports and capacity building of Accounts personnel.

#### **Committee Observation**

897. The Committee observed that the management acknowledged the delay in submission of financial statements, attributing it to lack of capacity. The committee further observed that the management reported that they had implemented measures including installation of an ERP system and capacity building of accounts personnel to ensure timely preparation of future financial statements.

#### **Committee Recommendation**

898. The Committee reprimanded the Accounting Officer for breach of Section 68(2)(k) of the Public Finance Management Act, Cap. 412A which requires an accounting officer to prepare and submit annual financial statements within three (3) months after the end of the financial year, and Section 47(1) of the Public Audit Act, Cap.412B, which mandates submission of the financial statements to the Auditor-General within the same period.

### **7.1.4 Non-Submission of Financial Statements for Prior Years**

899. The Institute was commissioned on May 2018 and operational bank accounts opened later in the year 2019. Since its commissioning, the Institute has not submitted the financial statements to the Auditor General for the financial years 2019/2020, 2020/2021 and 2021/2022.

#### **Management Response**

900. The management did not provide a response to this audit query.

***Committee Observation***

901. The Committee observed that the management failed to provide any response to the audit query regarding non-submission of financial statements for three consecutive financial years from 2019/2020 to 2021/2022. Further, the Committee observed that this was a significant breach of statutory requirements spanning multiple years.

***Committee Recommendation***

902. The Committee reprimands the Accounting Officer for breach of section 81(3) of the PFM Act CAP 412A, 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.

**7.1.5 5. Lack of Audit Committee and Internal Audit Function**

903. Review of documents provided by the Management revealed that the Institute lacks an internal audit function, which implies that there is no independent assurance that the Institute's risk management, governance and internal controls are operating as required by relevant laws, policies and procedures. Further, the College did not have an audit committee.

**Management Response**

904. The management submitted that the institute had since inception been establishing management structures to operationalize the various functions of financial controls among other governance matters. There had been, however, very limited financial flows that impeded on establishing all the necessary systems as envisaged in Public Finance Management Act 2012. It was in this year that management employed a procurement officer having offloaded larger part of the cost on trainers arising from Public Service Commission recruitment. Additionally, the Finance and General-Purpose Committee of the Board oversighted institute utilization of fund and that going forward, the college had since created an audit function in its management structure and shall establish an Audit Committee immediately the newly appointed Board was inaugurated.

**Committee Observation**

905. The Committee observed that the management acknowledged the absence of an internal audit function and an audit committee since the Institute's inception in 2018. The Committee further observed that the management claimed to have created an audit function in the management structure and committed to establishing an Audit Committee upon inauguration of the newly appointed board.

**Committee Recommendations**

906. The Committee recommends that, within three (3) months of the adoption of this Report, the Accounting Officer should ensure that the Audit Committee and the Internal Audit

Function are fully operational and effectively discharging their mandates in accordance with Section 160 and 174 and of the Public Finance Management Act, Cap. 412A.

### **Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)**

#### **7.1.6 Unsupported Property, Plant and Equipment**

907. The statement of financial position reflects property plant and equipment balance of Kshs.58,636,926 as disclosed in Note 16 to the financial statements. However, the Institute has two (2) parcels of land donated by the community measuring 51.90 acres and 41.72 acres respectively whose ownership documents and valuation report were not provided for audit. In addition, the Institute did not maintain a fixed asset register for the year under review.

#### **Management Response**

908. The management submitted that the two parcels of institute land mentioned above were donated by the community and were under trust of Marsabit County Government. The management also submitted that at the time of audit, the two plots had been registered with the County lands office and were awaiting survey and preparation of Physical Development Plan which was a requirement for subsequent processing of land ownership. Further, that the institute management was committed to progress the process in the current financial year 2025/2026. The management submitted that they would engage a competent valuer to establish how much the two plots were worth and other assets of the institute and maintain an asset register for all items.

#### **Committee Observation**

909. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **7.1.7 Budgetary Control and Performance**

910. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.23,109,000 and Kshs.13,164,943 respectively resulting to an under-funding of Kshs.9,944,057 or 43% of the budget. However, the Institute spent Kshs.16,322,560 against approved expenditure budget of Kshs.23,109,000 resulting to an under-utilization of Kshs.6,786,440 or 29% of the approved budget.

#### **Management Response**

911. The management submitted that the larger part of the underfunding was attributed to unremitted student capitation. The management submitted that out of the Kshs.9,944,057, Kshs.9,069,500 was unremitted capitation and Kshs.874,557 was unpaid by individual trainees by way of self-sponsorship, loans from HELB, or bursaries.

### ***Committee Observation***

912. The Committee observed that the management attributed the underfunding of Kshs.9,944,057 (43% of the budget) primarily to unremitted student capitation amounting to Kshs.9,069,500. The Committee further observed that the under-utilization of Kshs.6,786,440 or 29% of the approved budget indicated that the Institute did not fully execute its planned activities despite receiving reduced funding.

### ***Committee Recommendations***

913. The Committee notes that the matter was recurring from the previous financial year and reiterates its recommendation.

### **7.1.8 Late Submission of Financial Statements**

914. The financial statements of Laisamis Technical Training Institute for the year ended 30 June, 2024 were submitted on 25 February, 2025 five (5) months after the statutory requirement. This was contrary Section 47(1) of the Public Audit Act, Cap.412B which provides for submission of financial statements to the Auditor General within three months after the end of the fiscal year to which the accounts relate.

### **Management Response**

915. The management submitted that in respect to the matter aforementioned, the delay was occasioned by lack of capacity in the preparation of the final statements at the time specified in the Public Audit Act. They had, however, put in place measures to ensure that future financial statements were prepared on time. These measures included installation of an ERP system to ease in generation of reports and capacity building of Accounts personnel.

### ***Committee Observation***

916. The Committee observed that the management acknowledged the delay in submission of financial statements for the year ended 30 June 2024, with the statements submitted five months after the statutory deadline, two months later than the previous year's delay. The Committee observed that the management again attributed the delay to lack of capacity and claimed to have implemented measures including installation of an ERP system and capacity building of accounts personnel, despite having made similar claims in the previous year.

### ***Committee Recommendations***

917. The Committee notes that the matter was recurring from the previous financial year and reiterates its recommendation.

### **7.1.9 Lack of Audit Committee and Internal Audit Function**

918. Review of documents provided by the Management revealed that the Institute lacks an internal audit function, which implies that there is no independent assurance that the

Institute's risk management, governance and internal controls are operating as required by relevant laws, policies and procedures. Further, the College did not have an audit committee.

#### **Management Response**

919. The management submitted that the institute management had since inception been establishing management structures to operationalize the various functions of financial controls among other governance matters. There had been, however, very limited financial flows that impeded on establishing all the necessary systems as envisaged in Public Finance Management Act, Cap. 412A. It was in this year that management employed a procurement officer having offloaded larger part of the cost on trainers arising from Public Service Commission recruitment. The Finance and General-Purpose committee of the board oversights institute utilization of fund. The management submitted that going forward, the college had since created an audit function in its management structure and shall establish an Audit Committee immediately the newly appointed board was inaugurated.

#### **Committee Observation**

920. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **Audited Financial Statements for Financial Year 2024/2025- (Qualified Opinion)**

#### **7.1.10 Inaccuracies in the Financial Statements**

##### **7.1.10.1 Revenue - Fees from Students**

921. The Committee heard that the statement of financial performance discloses fees from students amounting to Kshs.10,409,600. However, Note 7 to the financial statements discloses fees from students amounting to Kshs.10,542,950, resulting in a variance of Kshs.133,350. Further, it was noted that although the Institute prepares its financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis), it continues to recognize revenue on a cash basis, recording income only when cash is received rather than when it is earned. In the circumstances, the accuracy, completeness and reliability of the reported student fee income of Kshs.10,409,600 could not be confirmed.

#### **Management Response**

922. The Management submitted the Committee that the variance of Kshs.133,350 arose from income generated from the sale of goods including chicken and uniforms produced by the Institute, which was erroneously classified under student fees in Note 7 of the financial statements instead of being recorded as income from sale of goods.

### ***Committee Observations***

923. The Committee observed that continued recognition of revenue on a cash basis instead of accrual basis contravenes the International Public Sector Accounting Standards (IPSAS) which require revenue to be recognized when earned.
924. Failure to maintain accurate financial records is contrary to Section 68(1) of the Public Finance Management Act, Cap. 412A, which requires accounting officers to ensure proper financial management and accurate financial reporting.
925. The misclassification of revenue reflects weak financial reporting controls at the Institute.

### ***Committee Recommendation***

926. The Committee recommends that within three months of the adoption of this report, the Accounting Officer must ensure full compliance with IPSAS Accrual Accounting Standards for revenue recognition and financial reporting and establish robust financial statement review and reconciliation procedures to prevent income misclassification. The Accounting Officer should submit to the Auditor-General documented evidence demonstrating adherence to Section 68 of the Public Finance Management Act, Cap. 412A, and Section 48 of the Public Audit Act, Cap. 412B, confirming that proper financial records support all financial statements.

### **7.1.11 Cash and Cash Equivalents**

927. The Committee heard that the statement of cash flows discloses cash and cash equivalents balance as at 30 June, 2025 amounting to Kshs.2,244,070. Included is a cash outflow amount of Kshs.4,866,012 related to the addition of property, plant, and equipment. However, Note 16 discloses property, plant, and equipment total additions amounting to Kshs.3,910,666, resulting in an unexplained variance amount of Kshs.955,346. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.2,244,070 reported in the statement of cash flows could not be confirmed.

### **Management Response**

928. The Management submitted that the variance of Kshs.955,346 related to work in progress for the construction of an eleven (11) door modern ablution block, which had been omitted in the disclosure under Note 16 of the financial statements.

### ***Committee Observations***

929. The Committee observed that:
- (i) The omission of capital work in progress from the financial statements was an indication of weaknesses in asset accounting controls.
  - (ii) IPSAS requires full disclosure of capital work in progress and property, plant and equipment.

- (iii) Failure to reconcile capital expenditure with financial statements is contrary to Section 68(2) of the Public Finance Management Act, Cap. 412A which requires proper accounting of public resources.

***Committee Recommendation***

930. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer must update the asset register and financial statements to accurately reflect all capital works in progress. Evidence of compliance, including the updated asset register and corresponding reconciliations, must be submitted to the Auditor-General for verification during the subsequent audit cycle.

**7.1.12 Unsupported Receivables from Exchange Transactions**

931. The statement of financial position and Note 14 to the financial statements disclose receivables from exchange transactions related to student debtors amounting to Kshs.1,023,200. However, review of the students' fee ledger revealed outstanding fees totalling Kshs.5,649,994, resulting in an understatement of receivables from exchange transactions by Kshs.4,626,794. In the circumstances, the accuracy and completeness of receivables balance of Kshs.1,023,200 could not be confirmed.

***Management Response***

932. The Management submitted to the Committee that the outstanding receivables comprised Kshs.1,023,200 from household contributions by trainees and Kshs.4,626,794 relating to scholarship and government capitation, which had not been received at the time of audit but were expected to be settled once the capitation funds were released.

***Committee Observation***

933. The Committee observed that the failure to maintain accurate records contravenes Section 68 of the Public Finance Management Act, Cap. 412A, which mandates accounting officers to keep proper accounting records, and further violates IPSAS requirements for the proper recognition and disclosure of receivables arising from exchange transactions.

***Committee Recommendation***

934. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should prepare a comprehensive reconciliation of all student debtors, establish a formal student debt management and recovery policy, and ensure that all receivables are accurately recognized and disclosed in the financial statements in full compliance with IPSAS requirements. The Accounting Officer must submit evidence of implementation to the Auditor-General for verification and reporting in the subsequent audit cycle.

### **7.1.13 Undisclosed Assets and Lack of Land Ownership Documents**

935. The Committee heard that the statement of financial position and Note 16 to the financial statements disclose property, plant and equipment of Kshs.61,406,030. However, audit inspection of the workshop revealed that the Institute had twelve (12) welding plants and machinery of unknown value that were not disclosed in the financial statements under property, plant and machinery.
936. Further, as previously reported, the Institute occupies two parcels of land of unknown value donated by the community. However, as at the time of audit, the Institute had not obtained legal ownership documents for these parcels of land. In addition, the Institute did not disclose the value of the land occupied in the financial statements. In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs.61,406,030 could not be confirmed.

#### **Management Response**

937. The Management submitted to the Committee that the welding equipment had been supplied through a Kenya–China partnership programme supporting TVET institutions and that the value of the equipment had not initially been communicated to the Institute. The Management further submitted that subsequent follow-up with the State Department for TVET confirmed the value of the equipment supplied to the Institute.
938. Regarding land ownership, the management submitted that the land had already been surveyed and registered with the Marsabit County Lands and Urban Planning Department, and that the matter was currently before the Marsabit County Assembly for approval of the Physical Development Plan, after which the Institute will engage a valuer to determine the value of the land.

#### **Committee Observations**

939. The Committee observed that:-
- (i) Failure to disclose assets in financial statements contravenes IPSAS 17 on Property, Plant and Equipment.
  - (ii) Lack of ownership documents exposes public assets to risk of encroachment and ownership disputes.
  - (iii) Under Section 149 of the Public Finance Management Act, Cap. 412A, accounting officers are responsible for safeguarding public assets.

#### **Committee Recommendation**

940. The Committee recommends that within six (6) months of the adoption of this report, the Accounting Officer should ensure that all assets are valued and accurately recorded in the Institute's asset register and financial statements, and obtain valid legal ownership documents for the Institute land. Evidence of compliance, including the updated asset register and land ownership documents, must be submitted to the Auditor-General for

verification, and confirming adherence to Regulation 143 of the Public Finance (National Government) Regulations, 2015.

#### **7.1.14 Emphasis of Matter**

941. The Committee heard that the statement of comparison of budget and actual amounts reflects final receipts budget amount of Kshs.28,864,991 against an actual revenue amount of Kshs.21,407,474, resulting in a shortfall of Kshs.7,457,517, or 26% of the approved budget. Similarly, the Institution incurred total expenditure amounting to Kshs.17,259,099 against actual receipts of Kshs.21,407,474, resulting in under-absorption of an amount of Kshs.4,148,375, or 19% of the actual receipts. The underfunding and under absorption may have adversely affected the implementation of planned activities and impacted negatively on service delivery.

#### **Management Response**

942. The Management submitted that the underfunding of Kshs.7,457,517 (26%) was largely occasioned by lower than projected Government capitation and non-payment of household fee contributions by trainees. This situation was exacerbated by harsh climatic conditions and prolonged drought in the region, which negatively affected the ability of many households to raise the required training fees.
943. The Management further submitted that Government capitation to the Institution was inadequate and delayed, thereby affecting the projected revenue for the financial year under review.
944. Additionally, part of the unabsorbed amount of Kshs.4,148,375 had already been committed towards urgent roof repairs of the main building of the Institution, which required immediate intervention in order to maintain safety and functionality of the facility.

#### **Committee Observation**

945. The Committee observed that:
- (i) the significant variance between the approved budget and actual revenue reflects weak budget forecasting, inadequate revenue planning, and ineffective monitoring of the Institution's financial performance. Although external factors such as delayed Government capitation and socio-economic challenges affecting households may have contributed to the revenue shortfall, the Institution has a responsibility to ensure that budget projections are realistic and based on credible revenue assumptions.
  - (ii) the Institution's failure to maintain credible and realistic budgets contravenes Regulation 43 of the Public Finance Management (National Government) regulations, 2015 which requires public entities to ensure that budgets are credible, realistic and aligned with available resources, and Section 68(1) of the same Act, which places responsibility on the Accounting Officer to ensure proper financial management and efficient utilization of public resources.

- (iii) Institution failed to comply with International Public Sector Accounting Standard (IPSAS) 24 on Presentation of Budget Information in Financial Statements, which requires entities to provide credible budget information and explain material variances between budgeted and actual amounts. Consequently, the Institution did not adequately comply with the principles of effective budget planning and financial management as required under the law.

***Committee Recommendation***

946. The Committee recommends that within six (6) months upon adoption of this report, the Accounting Officer should develop and implement a comprehensive budget formulation framework that ensures all revenue projections are realistic, based on credible assumptions, and aligned with available resources, incorporating historical revenue data, economic trend analysis, and confirmed funding commitments from Government and other sources.
947. The Committee further recommends that the Accounting Officer should ensure that the annual financial statements include a comprehensive budget comparison statement with clear explanations for all material variances between budgeted and actual amounts, in full compliance with IPSAS 24. Evidence of implementation, including the approved framework, supporting documentation, and IPSAS24-compliant financial statements, must be submitted to the Auditor-General for verification and reporting in the subsequent audit cycle.

**7.1.15 Unresolved Prior Year's Audit Matters**

948. The following matters remained unresolved:
- (i) Unsupported Property Plant and Equipment
  - (ii) Lack of Audit Committee and Internal Audit Function
  - (iii) Late Submission of Financial Statements.

***Management Response***

949. The Management submitted that the issue relating to unsupported property, plant and equipment had been addressed under the current audit findings. The Management further stated that a Board of Governors had been inaugurated in July 2025, and subsequently established various board committees including an Audit Committee.
950. The Management also submitted that the issue of late submission of financial statements related to earlier financial years and that the Institute had submitted the 2024/2025 financial statements within the required timelines.

***Committee Observation***

951. The Committee observed that under Section 53 of the Public Audit Act, Cap. 412B, the public entities are required to implement audit recommendations and report on corrective actions taken.

### ***Committee Recommendation***

952. The Committee recommends that within three (3) months upon adoption of this Report, the Accounting Officer should ensure the Audit Committee and Internal Audit Function are fully operational in accordance with Regulation 174 and 160 of the Public Finance (National Government) Regulations, 2015.

### **7.1.16 Errors and Omission in the Financial Statements**

953. The Committee heard that review of the financial statements and accompanying disclosures revealed the following errors and omissions:

- i. The Environmental and Sustainability Reporting Statement on page (xv) did not include information on Corporate Social Responsibility (CSR) activities undertaken during the year under review.
- ii. The financial statements were signed by an accountant who is not a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK), contrary to the provisions of Section 22(1) of the Accountants Act, Cap 531, which requires that only registered accountants prepare or sign financial statements.
- iii. Under Note 19, Financial Risk Management, the section on credit risk has not been completed, as amounts relating to receivables and bank balances are missing. Additionally, under the same note, the section on liquidity risk management is incomplete, as amounts relating to trade payables have not been disclosed.
- iv. Under Note 20, Related Party Balances, the disclosure of transactions and balances with related parties during the year has not been completed.
- v. Note 7, Fees from Students erroneously refers to the financial year as 2023-2024 instead of 2024-2025. In the circumstances, the financial statements as presented do not comply with the PSASB reporting template.

### **Management Response**

954. The Management submitted that the omission of Corporate Social Responsibility (CSR) activities in the Environmental and Sustainability Reporting Statement was an oversight. The management submitted that during the year under review the Institute undertook several CSR activities including hosting training for Kenya Police Reservists, hosting National Government Administration Officers training on peace and security, participating in the Marsabit County Trade Fair where the Institute emerged first in the tertiary institutions category, and hosting Madaraka Day celebrations for Laisamis Sub-County.

955. The Management further submitted that the financial statements were signed by an accountant who was not yet registered with the Institute of Certified Public Accountants of Kenya (ICPAK). The Board of Governors had previously advertised for a qualified accountant but the selected candidate declined the offer due to the level of remuneration offered by the Institute. The current accountant is undertaking the Certified Public Accountants programme with KASNEB.

956. Regarding the incomplete disclosures under Note 19 and Note 20, The management submitted that some sections in the reporting template were considered not applicable to training institutions, particularly those relating to credit assessment procedures applied in commercial entities.
957. The Management acknowledged the error in Note 7 which incorrectly referred to the financial year as 2023/2024 instead of 2024/2025 and committed to ensure accuracy in future reporting.

#### ***Committee Observations***

958. The Committee observed that:
- (i) the Environmental and Sustainability Reporting Statement on page xv of the financial statements did not include information on Corporate Social Responsibility (CSR) activities undertaken during the year under review, contrary to the PSASB reporting template requirements.
  - (ii) the financial statements were signed by an accountant who is not a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK), in contravention of Section 22(1) of the Accountants Act, Cap 531, which requires that only registered accountants prepare or sign financial statements.
  - (iii) under Note 19 on Financial Risk Management, the sections on credit risk and liquidity risk management were incomplete, with amounts relating to receivables, bank balances, and trade payables not disclosed as required by the applicable financial reporting framework.
  - (iv) Note 20 on Related Party Balances, the disclosure of transactions and balances with related parties during the year was not completed, and further noted an incorrect statement indicating that the County Government of Marsabit provides full guarantee to all long-term lenders of the Institute, which is untrue.
  - (v) Note 7 on Fees from Students erroneously referred to the financial year as 2023-2024 instead of 2024-2025. Consequently, the financial statements as presented do not comply with the PSASB reporting template requirements.

#### ***Committee Recommendations***

959. The Committee recommends that within three (3) months upon adoption of this report, the Accounting Officer should:
- (i) ensure that all future financial statements include comprehensive Environmental and Sustainability Reporting disclosures, incorporating all Corporate Social Responsibility (CSR) activities undertaken during the year, with detailed descriptions, dates, and supporting documentation as evidenced in the Management response.
  - (ii) ensure that the Institute engages a qualified accountant who is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) to prepare and sign the financial statements, in compliance with Section 22(1) of the Accountants Act, Cap 531.
  - (iii) ensure that Note 19 on Financial Risk Management is fully completed in all future financial statements, with all required disclosures on credit risk and liquidity risk management,

including amounts relating to receivables, bank balances, and trade payables, in accordance with the applicable financial reporting framework and PSASB reporting template.

- (iv) ensure that all future financial statements contain accurate financial year references, particularly in Note 7 on Fees from Students, and that the financial statements fully comply with the PSASB reporting template requirements.
- (v) should submit to the Committee and the Auditor-General documented evidence of compliance with all the above recommendations, including revised financial statements, updated disclosure notes, proof of engagement of an ICPAK-registered accountant, and any supporting documentation demonstrating full adherence to the PSASB reporting template requirements.

#### **7.1.17 Stalled Construction of Workshop**

960. The Committee was informed that the statement of financial position and Note 16 to the financial statements reflect property, plant and equipment amounting to Kshs.61,406,030. Further, Note 16(b) discloses capital work in progress totalling to Kshs.1,189,926, which includes an amount of Kshs.1,000,060 relating to the construction of a workshop that commenced in June, 2022 and was expected to be completed within five years. However, a site inspection revealed that construction works had stalled and no activity took place during the financial year under review.
961. Further, review of the project file revealed inconsistencies in reported expenditure, where the project cost schedule reflected cumulative spending of an amount of Kshs.3,483,360, which is at variance with the amount of Kshs.1,000,060 disclosed in the financial statements. In the circumstances, value for money in the construction of the workshop could not be confirmed.

#### **Management Response**

962. The Management submitted the Committee that construction of the workshop stalled due to inadequate funding arising from lower than projected revenue from trainee fees and government capitation. The management submitted that the amount received from capitation during the year was lower than anticipated which resulted in insufficient funds to continue with the project.
963. The Management further submitted the Committee that the Board of Governors had initiated efforts to source additional funds from the National Government Constituencies Development Fund (NG-CDF) for Laisamis Constituency to facilitate completion of the workshop project.

#### **Committee Observations**

964. The Committee observed that:
- i. Stalled development projects undermine the efficient utilization of public resources and impede the Institution's ability to deliver on its mandate.

- ii. The inconsistencies identified between the reported project expenditure and the financial statements are indicative of weak project financial management and inadequate reporting controls within the Institution. This contravenes Section 68(2) of the Public Finance Management Act, Cap. 412A, which requires accounting officers to ensure the efficient, effective, and transparent use of public resources.
- iii. the failure to complete the project raises significant concerns regarding value for money, contrary to the principles enshrined in Section 7 of the Public Audit Act, Cap. 412B, which mandates that public resources be utilized economically, efficiently, and effectively.

#### ***Committee Recommendations***

965. The Committee recommends that, within six (6) months of the adoption of this report, the Accounting Officer should:
- (i) Ensure the expeditious completion of the stalled workshop project and conduct a comprehensive reconciliation of all project expenditures incurred to date. The financial statements shall be updated accordingly to accurately reflect the financial position and progress of the project.
  - (ii) Submit to the Auditor-General a detailed progress report confirming the completion status of the project. The report should demonstrate value for money achieved and provide evidence of compliance with Section 68 of the Public Finance Management Act, Cap. 412A, on the efficient, effective, and transparent utilization of public resources, for verification and reporting in the subsequent audit cycle.

#### **7.1.18 Engagement of Unregistered Trainers**

966. The Committee was informed that the statement of financial performance and Note 9 discloses employee costs of an amount of Kshs.1,729,968. Review of the list of trainers posted to the Institute revealed that out of the thirty-four (34) trainers engaged, only six (6) possessed valid registration numbers issued by the Technical and Vocational Education and Training Authority (TVETA). This implies that twenty-eight (28) trainers were engaged without valid practicing licenses or registration from the Authority, contrary to Section 17(1) of Technical and Vocational Education and Training Act, Cap. 210 A, which states that no person or institution shall offer training in Kenya unless the person or institution has been accredited, licensed and registered under this Act to offer such training. In the circumstances, Management was in breach of the law

#### **Management Response**

967. The Management submitted that the recruitment of trainers is largely undertaken by the Public Service Commission and the State Department for TVET, while the Board of Governors performs an agency role during recruitment. The Management further stated that previous recruitment advertisements did not make TVETA registration a mandatory requirement, unlike the current recruitment process.

### ***Committee Observation***

968. The Committee observed that engaging unregistered trainers is a violation of Section 17(1) of the Technical and Vocational Education and Training Act, Cap.210A, which requires trainers to be registered and licensed by TVETA before offering training services.

### ***Committee Recommendations***

969. The Committee recommends that the Accounting Officer should ensure compliance with Section 23(1) of the Technical and Vocational Education and Training Act, Cap. 210A, by ensuring that all trainers are duly registered with TVETA.

## **7.1.19 Weaknesses in Revenue Management System**

970. The Committee heard that the statement of financial performance discloses a total amount of Kshs.10,542,950 in respect to fees from students and other income. However, review of the revenue collection process revealed that the Institute uses a manual system, relying on handwritten receipts and Excel summaries that are not integrated into any centralized financial management system.

971. Collection control sheets were not consistently maintained or sequentially filed, making it difficult to verify completeness of the collected revenue and determine which periods had been reconciled. In the circumstances, the effectiveness and reliability of the Institute's revenue management system could not be confirmed.

### **Management Response**

972. The Management submitted that the Institute had been using a manual revenue collection system involving handwritten receipts and Excel summaries. However, the management submitted that the Board of Governors had initiated the implementation of a Management Information System (MIS) and had engaged a service provider to install an Enterprise Resource Planning (ERP) system. The implementation process had already commenced with the uploading of trainee data and preparation of the system to support financial transactions.

### ***Committee Observation***

973. The Committee observed that:

- (i) the continued reliance on manual systems exposes the Institute to significant risks, including revenue leakages, fraud, and manipulation of financial records, thereby undermining the integrity and accuracy of financial reporting.
- (ii) the failure to implement an integrated financial management system has weakened the Institute's internal control mechanisms, compromising effective oversight and accountability over financial transactions. This contravenes Section 68 of the Public Finance Management Act, Cap. 412A, which requires accounting officers to ensure proper systems are in place for efficient financial management and accountability.

***Committee Recommendation***

974. The Committee recommends that within six (6) months upon adoption of this report, the Accounting Officer should ensure the full implementation and operationalization of the Enterprise Resource Planning (ERP) financial management system across all departments, including the establishment of automated revenue collection and reconciliation mechanisms.

## 8.0 KISIWA TECHNICAL AND TRAINING INSTITUTE

Mr. Emmanuel Wamalwa, the Principal accompanied by: -

- (i) CPA Janet Wekesa - Finance Officer
- (ii) Ms. Lydia Waeno - Senior Procurement officer

appeared before the committee to adduce evidence on the Audited Accounts of Kisiwa Technical Training Institute for the Financial Year 2023/24 to 2024/2025 on 11<sup>th</sup> February, 2026 and informed the Committee as follows: -

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

#### 8.1.1 Budgetary Control and Performance

975. The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Ksh. 402,571,673 and Ksh. 334,693,203 respectively, resulting to under-funding of Ksh. 67,878,470 or 17% of the budget. Similarly, the statement reflects actual expenditure of Ksh. 213,738,644 against approved budget of Ksh. 402,571,673 resulting to under-performance of Ksh. 188,833,029 or 50% of the budget. The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

#### Management Response

976. The management submitted that they were in agreement with the auditor's observation on budgetary control and performance. The budget under-funding and under-absorption came as a result of delayed disbursement of capitation grants for the third quarter amounting to Kshs. 32,032,500 and non-disbursement of capitation grants for the fourth quarter amounting to Kshs. 32,032,500. Management further stated that the Institute realized receivable from exchange transactions of Kshs. 71,224,086 by the end of the financial year under review, which was earned but not received within the financial year, leading to under-absorption.

#### Committee Observation

977. The Committee observed that: -

- i. The Institution experienced significant under-funding of 17% and under-performance of 50% during the financial year under review. The delay and non-disbursement of capitation grants from the national government contributed to this situation.
- ii. The Institution also held substantial receivables amounting to over Kshs. 71 million that remained uncollected. This suggests that beyond external funding challenges, the Institute's internal revenue collection mechanisms require strengthening.
- iii. Relying solely on government capitation without proactively pursuing other revenue streams and collecting amounts owed leaves the Institution vulnerable to cash flow constraints that ultimately affect service delivery to students and the community.

- iv. The delayed release of capitation by the National Treasury to the Ministry of Education for disbursement was a matter cutting across and affecting all institutions of higher learning.

#### ***Committee Recommendation***

978. The Committee recommends that the Accounting Officer should: -
- i. take deliberate steps to strengthen revenue collection mechanisms to ensure that all fees and other receivables are collected promptly.
  - ii. develop realistic budget projections that consider historical patterns of capitation disbursement and actual revenue collection performance.
  - iii. diversify the Institute's revenue base through income-generating activities such as short courses, consultancy services, and partnerships with industry to reduce over-reliance on government capitation.
979. The Committee further recommends that the National Treasury should in conjunction with the Ministry of Education and ensure that the funds are disbursed to institutions without undue delay.

#### **8.1.2 Non-Compliance with Law on Ethnic Composition**

980. During the year under review, the institute had one hundred and seventy (170) employees out of whom, one hundred and fifty-six (156) or 92% of the staff were from one ethnic community. This is contrary to the provisions of section 7(2) of the National Cohesion and Integration Act, 2008, which requires 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 the law.

#### **Management Response**

981. Management stated that they were in agreement with the auditor's observation on non-compliance with ethnic composition. This situation came as a result of the institute management inheriting the majority of its members of staff from the former Kisiwa Youth Polytechnic. Management further stated that they are making every effort to ensure total compliance with the legal requirement by advertising vacant posts in newspapers with nationwide circulation as well as on the institute website to attract applicants from far and wide. Management added that the current statistical data for the entire staff demonstrates that the management is gradually improving in terms of compliance.

#### ***Committee Observation***

982. The Committee observed that
- i. the Institute remains significantly non-compliant with the National Cohesion and Integration Act, with 92% of staff drawn from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which mandates that no public establishment shall have more than one-third of its staff from the same ethnic community

- ii. the Institute inherited staff from its predecessor institution, Kisiwa Youth Polytechnic, which partly explains the current composition. However, the Committee is of the view that the law does not provide exemptions for inherited staff compositions, and the Accounting Officer has a legal and moral duty to progressively rectify this imbalance.
- iii. Meaningful progress requires deliberate and sustained effort in recruitment practices, and ensuring that shortlisting and selection processes are inclusive and transparent.

#### ***Committee Recommendation***

983. The Committee recommends that the Accounting Officer should put in place deliberate measures to ensure full compliance with the law within two (2) years upon adoption of this report by the House.

### **Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)**

#### **8.1.3 Unsupported Property, Plant and Equipment Balance**

984. The statement of financial position reflects property, plant and equipment balance of Kshs.327,893,752 as disclosed in Note 21 to the financial statements. However, the Institute did not maintain a detailed asset register indicating identification or serial number, acquisition date, description of assets, location, class, cost of acquisition, accumulated depreciation and net book value. In addition, the assets had not been tagged for ease of identification.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.327,893,752 could not be confirmed.

#### **Management Response**

985. The management submitted that they fully acknowledged and concurred with the Auditor's observation regarding the Unsupported Property, Plant, and Equipment Balance. In response to this observation, they proactively initiated the process of maintaining a comprehensive and meticulously detailed asset register that addressed all the fields mentioned in the audit report as well as the specified criteria in the asset template on the National Treasury website. The process was completed and the asset register updated. Furthermore, they successfully completed the process of tagging Institute assets for ease of identification and that to date, all assets had been successfully tagged and identified, ensuring accurate tracking and management of their property, plant, and equipment.

#### **Committee Observation**

986. The committee observed that the management acknowledged the absence of a detailed asset register and the lack of asset tagging during the period under review but reported to have since completed both the asset register and the tagging exercise.

### ***Committee Recommendations***

987. The Committee recommends that within three (3) months of the adoption of this Report, the Accounting Officer should provide evidence of the updated asset register to the Office of the Auditor-General who should verify and report in the subsequent audit cycle.

#### **8.1.4 2. Lack of Land Ownership Documents**

988. The statement of financial position reflects property, plant and equipment balance of Kshs.327,893,752 which, as disclosed in Note 21 to the financial statements includes land valued at Kshs.42,350,000. However, ownership documents for the land were not provided for audit review. In the circumstances, the accuracy and ownership status of the land balance of Kshs.42,350,000 could not be confirmed.

### ***Management Response***

989. The management submitted that they fully acknowledged and concurred with the auditor's observation regarding the absence of land ownership documents for certain parcels of institute land. In light of this, they acquired title deeds for two parcels of land out of the three that were queried and that they were in active process of acquiring the remaining one.

### ***Committee Observations***

990. The Committee observed that whilst the management reported that they had acquired title deeds for two parcels, evidence of the same had not been adduced for audit verification. Furthermore, one parcel of land remains untitled.
991. The Committee also noted that failure to secure title deeds exposes public assets to risk and contravenes the principles of accountability under Section 68 of the Public Finance Management Act, Cap. 412A.

### ***Committee Recommendations***

992. The Committee recommends that within three (3) months of the adoption of this Report, the Accounting Officer should expedite the process of securing title deeds for the remaining parcel and provide documentary evidence to the Office of the Auditor-General for verification in the next audit cycle.

#### **8.1.5 Long Outstanding Receivables from Exchange Transactions**

993. The statement of financial position reflects receivables from exchange transactions balance of Kshs.281,460,315 which includes student debtors balance of Kshs.277,683,455 as disclosed in Note 18 to the financial statements. However, review of ageing analysis provided for audit review revealed that students debtors balance of Kshs.37,724,243 had been outstanding for over three (3) years and there was no evidence that the Management had put in place mechanisms to recover the long outstanding debts.
994. In the circumstance, the accuracy and recoverability of receivables from exchange transactions balance of Kshs. 37,724,243 could not be confirmed.

### **Management response**

995. The management submitted that they had finalized a comprehensive Asset and Liabilities Management Policy that outlined the terms for fees and other receivables. Additionally, they were focused on ensuring that all fees were cleared before releasing certificates to graduates. This initiative had led to a significant reduction in long-outstanding receivables, as reflected in the audit certificate for the fiscal year 2024/2025.

### **Committee Observations**

996. The Committee observed that the management acknowledged the existence of long-outstanding receivables of Kshs.37,724,243 that had been unpaid for over three years. The committee further observed that the management reported to have developed a policy and a mechanism to address the recovery of these debts.

### **Committee Recommendations**

997. The Committee recommends that within three (3) months of the adoption of this Report, the Accounting Officer should provide a detailed ageing analysis of receivables for the 2024/2025 financial year to substantiate the reported reduction, and submit the same to the Office of the Auditor-General for verification and reporting.
998. The Committee further recommends that the Accounting Officer should ensure strict enforcement of the Asset and Liabilities Management Policy and make provisions for doubtful debts in accordance with IPSAS 29 – Financial Instruments: Recognition and Measurement.

### **8.1.6 Un-confirmed Intangible Assets Balance**

999. The statement of financial position reflects Nil intangible assets balance which, as disclosed in Note 22 to the financial statements includes historical cost of the intangible assets of Kshs.3,700,000. However, review of the Service Level Agreement (SLA) revealed that the cost of the Enterprise Resource Planning (ERP) system was Kshs.10,556,000, resulting to an unreconciled variance of Kshs.6,856,000. Further, the intangible assets had been fully amortized while it was still in use and had not been revalued. In the circumstances, the accuracy and completeness of Nil intangible assets balance could not be confirmed.

### **Management Response**

1000. The management submitted that they were in agreement with the auditor's observation on un-confirmed intangible assets balance and confirmed and noted that while the intangible assets had previously been fully amortized, they remained in active use and had now been revalued to ensure that their financial statements accurately represented their current worth. Given this adjustment, they believed that the accuracy and completeness of the intangible

assets balance had been confirmed, and they were committed to maintaining transparency and compliance with accounting standards moving forward.

#### ***Committee Observations***

1001. The Committee observed that the management acknowledged the existence of a variance between the historical cost and the SLA cost of the ERP system. Further, the Committee observed that the management claimed to have revalued the intangible asset to address the full amortization issue.
1002. Further, the failure to revalue intangible assets that are still in use resulted in inaccurate financial reporting and misrepresentation of the Institution's asset base. This contravenes the requirements of the International Public Sector Accounting Standards (IPSAS), which mandate that assets remaining in use be appropriately valued and fully disclosed in the financial statements.

#### ***Committee Recommendations***

1003. The Committee recommends that, within three (3) months of the adoption of this Report, the Accounting Officer should ensure that the revaluation of intangible assets is undertaken in compliance with IPSAS 31 – Intangible Assets, which requires such assets to be carried at fair value only where that value can be measured reliably.
1004. The Committee further recommends that, within the same period, the variance between the historical cost (Kshs. 3.7 million) and the SLA cost (Kshs. 10.556 million) be investigated and reconciled to ensure proper accounting for all expenditures. The reconciled position should thereafter be submitted to the Auditor-General for verification and reporting.

#### **8.1.7 Non-Compliance with Law on Staff Ethnic Diversity**

1005. Analysis of the payroll and staff list provided for audit review revealed that during the year under review, the Institute had one hundred and eighty-seven (187) employees, both teaching and non-teaching and on permanent and pensionable and contractual terms. However, out of the total number, one hundred and seventy (170) employees or 91% were from 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. In the circumstances, Management was in breach of the law.

#### **Management response**

1006. The management submitted that they were in agreement with auditors' observation regarding ethnicity composition and stated that the Institute had made notable progress to ensure compliance to the Law. The proportion of staff from the dominant community had gradually reduced from 91% as at 30th June 2023 to 86% as at 24th January 2026. The management submitted that this demonstrated a consistent improvement in ethnic diversity within the Institute.

### ***Committee Observations***

1007. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **8.1.8 Delayed Implementation of Enterprise Resource Planning (ERP) System**

1008. Information available indicate that a contract for the upgrade, testing, training and configuration of the Management Information System to an Enterprise Resource Planning (ERP) System was awarded to a system developer at a cost of Kshs.10,556,000 and the existing Service Level Agreement (SLA) was signed in March, 2022. However, as at the time of audit in April, 2025, the Institute had not fully implemented four (4) modules, which include finance, human resource, payroll and assets management modules.

1009. In the circumstances, the Institute did not achieve value for money on the expenditure of Kshs.10,556,000 in respect to the acquisition of the Enterprise Resource Planning System.

### ***Management Response***

1010. The management submitted that they did not concur with the auditor's observation regarding delayed implementation of Enterprise Resource Planning (ERP) System. The management submitted that it was important to clarify that all of these modules were actively in use within their operations. Furthermore, the system vendor had been diligent in providing ongoing updates and maintenance for the ERP system, including not only technical support but also enhancements to ensure that the system continued to meet their evolving business needs effectively.

### ***Committee Observations***

1011. The Committee observed that the management reported that all four modules (finance, human resource, payroll, and assets management) were actively in use and that the vendor continued to provide updates and maintenance, evidence of which had not been verified by the auditors.

### ***Committee Recommendations***

1012. The Committee recommends that, within three (3) months of the adoption of this Report, Management should provide evidence of the active utilization of the four ERP modules, including system access logs, transaction reports, and user training records, to the Auditor-General for verification and reporting in the subsequent audit cycle. Where any modules remain unimplemented, the Accounting Officer should pursue appropriate contractual remedies under the Public Procurement and Asset Disposal Act (PPADA), Cap.412C to safeguard value for money.

## **Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)**

### **8.1.9 Lack of Land Ownership Documents**

1013. The statement of financial position reflects property, plant and equipment balance of Kshs.369,443,901 which, as disclosed in Note 20 to the financial statements includes land valued at Kshs.44,400,000. However, ownership documents for three (3) parcels of land valued at Kshs.22,350,000 were not provided for audit review. In the circumstances, the accuracy and ownership status of the land balance of Kshs.22,350,000 could not be confirmed.

#### **Management Response**

1014. Management submitted that the process of obtaining title deeds for the parcels of land held under trusteeship was ongoing. It further stated that the Institute had successfully acquired ownership documents for two out of the three parcels of land and was pursuing documentation for the remaining parcel.

#### **Committee Observation**

1015. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **8.1.10 Unconfirmed Intangible Assets Balance**

1016. The statement of financial position reflects Nil intangible assets balance as disclosed in Note 21 to the financial statements. However, the intangible assets had been fully amortized while they were still in use and had not been revalued. In the circumstances, the accuracy and completeness of the intangible assets balance could not be confirmed.

#### **Management response**

1017. The Management submitted the Committee that although the intangible assets had previously been fully amortized, they had remained in active use. Management further stated that the assets had since been revalued to ensure accurate reporting in the financial statements.

#### **Committee Observation**

1018. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **8.1.11 Long Outstanding Receivables from Exchange Transactions**

1019. The statement of financial position and Note 17 show receivables from exchange transactions balance of Kshs.203,019,489. However, records and ageing analysis provided for audit review indicate that receivables balance of Kshs.84,066,458 had been outstanding for over one (1) year and there was no evidence that Management had put in place mechanisms to recover the long outstanding debts. In the circumstances, the accuracy,

completeness and recoverability of receivables from exchange transactions balance of Kshs.84,066,458 could not be confirmed.

**Management response**

1020. The Management submitted that it had finalized a comprehensive Asset and Liabilities Management Policy outlining the terms and procedures governing the management of fees and other receivables. Management further stated that the Institution had implemented a policy requiring students to clear all outstanding fees before the release of their certificates upon graduation, as part of measures aimed at enhancing recovery of outstanding debts.

**Committee Observation**

1021. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**8.1.12 Non-Compliance with Law on Staff Ethnic Diversity**

1022. Review of staff bio data for the month of June, 2024 revealed that the Institute had one hundred and seventy-nine (179) staff on contract, permanent and pensionable terms, out of which one hundred and fifty-eight (158) staff or 88% were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which states that no public establishment shall have more than one third of its staff from the same ethnic community.

1023. In the circumstances, Management was in breach of the law.

**Management response**

1024. The Management submitted the Committee that it concurred with the Auditor-General's observation. Management further stated that the proportion of staff from the dominant ethnic community had gradually reduced from 91% as at 30 June 2023 to 88% as at 30 June 2024, indicating progress towards compliance.

**Committee Observation**

1025. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**8.1.13 Non-compliance with Law on Accreditation and Licensing of Trainers**

1026. Review of staff records showed that the institution had one hundred and sixty-nine (169) trainers as at 30 June,2024. However, verification of licensing documentation showed that out of the 169 trainers, only five (5) trainers had been licensed contrary to Section 23(1) of the Technical and Vocational Education and Training Act, Cap.210A which states that any person who intends to become a trainer in an institution shall apply for licensing and registration by the Board in accordance with the provisions of this Act. In the circumstances, Management was in breach of the law.

### **Management Response**

1027. Management stated that all trainers had been sensitized on the licensing requirement, and that trainer licensing had been made a mandatory requirement during recruitment of Board of Governors trainers. Management added that the number of licensed trainers had increased to fifty (50).

### **Committee Observation**

1028. The Committee observed that although progress had been made in increasing the number of licensed trainers, the Institution remained non-compliant with the provisions of the TVET Act, as a significant number of trainers were still unlicensed.

### **Committee Recommendation**

1029. The Committee recommends that, within three (3) months of the adoption of this report, the Accounting Officer should ensure that the institution is compliant with the provisions of to Section 23(1) of the Technical and Vocational Education and Training Act, Cap.210A and have all trainers engaged by the Institution fully registered and licensed.

### **8.1.14 Failure to Undertake Board Performance Evaluation**

1030. Review of Board members records revealed that the Board did not establish performance targets, conduct board evaluations for the full Board, its committees, or individual members and did not submit performance reports to its stakeholders during the year under review contrary to Section 4.12 of Chapter 1 of Mwongozo Code of Governance for State Corporations which requires that the Board should determine its performance and undertake an evaluation of its performance. In the circumstances, the Board was in breach of the Law.

### **Management Response**

1031. Management submitted that it acknowledged the audit observation. Management further stated that Board performance evaluation had since been implemented in compliance with the Mwongozo Code.

### **Committee Observation**

1032. The Committee observed that although the evaluation had since been undertaken, failure to conduct the evaluation during the year under review constituted non-compliance with the Mwongozo Code of Governance.

### **Committee Recommendation**

1033. The Committee recommends that, within three (3) months of the adoption of this report, the Board should institutionalize annual Board performance evaluation processes in accordance with the Mwongozo Code of Governance for State Corporations.

### **8.1.15 Information And Communication Technology (ICT) Environment Internal Controls Weaknesses**

1034. Review of Information and Communication Technology (ICT) control environment and records of the Institute indicated that the ICT section lacked critical documents which include the ICT Strategic plan and an approved ICT policy. Further, the Institute had not established an ICT Steering Committee. This was contrary to Regulation 110 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that Accounting Officer for a National Government entity should institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. In the circumstances, the effectiveness of the Institute's ICT environment internal controls could not be confirmed.

#### **Management Response**

1035. Management submitted that the ICT policy had been available at the time of the audit. Management further stated that the ICT Strategic Plan had been developed but was still in draft form during the audit period. Additionally, it has since established an ICT Steering Committee to oversee ICT governance.

#### **Committee Observation**

1036. The Committee observed that although the Institution had made progress in establishing ICT governance structures, the absence of approved ICT strategic plan during the audit period exposed the Institution to risks relating to information security, data integrity and operational continuity.

#### **Committee Recommendation**

1037. The Committee recommends that, within three (3) months of the adoption of this report, the Accounting Officer should ensure the formal approval and implementation of the ICT Strategic Plan and ICT Policy, strengthen ICT governance structures by ensuring the effective functioning of the ICT Steering Committee, and submit to the Auditor-General evidence of compliance with Regulation 110(1) of the Public Finance Management Regulations, 2015, for review.

### **Audited Financial Statements for Financial Year 2024/2025 ( Qualified Opinion)**

#### **8.1.16 Long Outstanding Receivables from Exchange Transactions**

1038. Reported receivables from exchange transactions totalled Kshs. 361,742,025, out of which Kshs. 233,120,324 (64%) had been outstanding for over one year. Management did not have a debt management policy for effective debt management including recovery.

#### **Management Response**

1039. The Management submitted that the Committee that a comprehensive Asset and Liabilities Management Policy have been finalized, outlining the terms for fees and other receivables.

Management further stated that they have focused on ensuring all fees are cleared before releasing certificates to graduates as a debt recovery mechanism.

***Committee Observation***

1040. The Committee observed that: -

- i. 64% of receivables being outstanding for over one year indicates weak credit control and ineffective debt recovery mechanisms.
- ii. The absence of a demonstrated implementation of the Asset and Liabilities Management Policy and the lack of a structured debt recovery strategy contravened Section 68(2)(1) of the Public Finance Management Act, Cap. 412A, which requires Accounting Officers to maintain proper financial records and effective financial management systems and IPSAS 41 on Financial Instruments requires entities to assess receivables for impairment and recognize provisions where recoverability is doubtful.

***Committee Recommendation***

1041. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a comprehensive student debtor ageing analysis and evidence of implementation of the Asset and Liabilities Management Policy for review.

**8.1.17 Unsupported Expenditures**

1042. Procurement and payment documents in respect of procurement of goods and works worth Kshs. 15,841,492 were not provided for audit. Management stated that the documents were with the Ethics and Anti-Corruption Commission (EACC).

**Management Response**

1043. Management submitted that they are in agreement with the Auditor's observation. Management confirmed that the expenditure relates to procurement of goods and works undertaken during the financial year, and that the documents were in the custody of the EACC at the time of audit.

***Committee Observation***

1044. The Committee observed that:

- i. the failure to provide supporting documents for expenditure totaling Kshs. 15,841,492 renders the accuracy, completeness, and regularity of the expenditure unconfirmable.
- ii. The procurement records were not presented for audit review as they were in custody of the EACC at the time.

### ***Committee Recommendation***

1045. Committee recommends that the Ethics and Anti-Corruption Authority should finalize on the investigation on the procurement of goods and works were done, any irregularities and related financial loss, and if any officer is found culpable for the nugatory expenditure, he/she should be held personally liable for any loss of public funds.
1046. Upon investigations, the DPP should initiate a legal process to recover the amount so lost from the concerned officer (s) at the prevailing CBK rates.

### **8.1.18 Budgetary Control and Performance**

1047. Final receipts budget and actual on comparable basis totalled Kshs. 432,017,023 and Kshs. 349,292,481 respectively, resulting in underfunding of Kshs. 82,724,542 (19% of budget). The Institute expended Kshs. 324,795,493 on recurrent expenditure against actual receipts of Kshs. 349,292,481, resulting in under-expenditure of Kshs. 24,496,988 (7% of actual receipts). Additionally, the Institute expended Kshs. 54,615,988 on development expenditure against a development budget of Kshs. 65,614,778, resulting in under-expenditure of Kshs. 10,998,989 (17% of budget).

### **Management Response**

1048. The management submitted that they are in agreement with the Auditor's observation. Management clarified that budget underfunding and under-expenditure resulted from delayed and non-disbursement of capitation and scholarship grants.

### ***Committee Observation***

1049. The Committee observed that: -
- i. underfunding of 19% and under-expenditure of 7% on recurrent and 17% on development budgets indicate weak budget planning, over-reliance on uncertain funding sources, and ineffective monitoring of budget performance.
  - ii. the matter arose due to delayed capitation releases by the Government.

### ***Committee Recommendation***

1050. The Committee recommends that the Accounting Officer should at all times ensure that budgetary projections are based on realistic assumptions and incorporate all possible streams of revenue, and
1051. The Committee further recommends that the National Treasury and the Ministry of Education and should disburse capitation on time to Institutions without any undue delay.

### **8.1.19 Unresolved Prior Year Matters**

1052. Several unresolved prior year audit matters remained outstanding.

### **Management Response**

1053. The Management submitted that they were in agreement with the Auditor's observation regarding prior year audit issues. Management emphasized that significant progress has been made through concrete actions and structured timelines.

#### ***Committee Observation***

1054. The Committee observed that the financial statements were incomplete since the unresolved prior year issues were not disclosed in the progress on follow-up of auditors' recommendations section of the financial statements, as required by the Public Sector Accounting Standards Board reporting template.

#### ***Committee Recommendation***

1055. The Committee reprimands the then Accounting Officer for breach of Section 81(3) of the Public Finance Management Act, Cap.412A, 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.

### **8.1.20 Non-Compliance With Law on Staff Ethnic Diversity**

1056. The Institute had 167 staff (88% of total staff population) from one dominant community, contrary to Sections 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N, which requires public establishments to represent the diversity of Kenya and prohibits any single ethnic community from comprising more than one-third of the workforce.

#### **Management Response**

1057. The Management submitted that they agree with the observation. Management stated that notable progress has been made to ensure compliance with the law, with the proportion of staff from the dominant community gradually reducing from 91% as at 30 June 2023 to 88% as at June 2025.

#### ***Committee Observation***

1058. The Committee observed that the Institution remains significantly non-compliant with the National Cohesion and Integration Act with 88% of staff drawn from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which mandates that no public establishment shall have more than one-third of its staff from the same ethnic community.

1059. The Accounting Officer should make deliberate and sustained effort in recruitment practices by ensuring that shortlisting and selection processes are inclusive and transparent.

***Committee Recommendation***

1060. The Committee recommends that the Accounting Officer should put in place deliberate measures to ensure full compliance with the law within two (2) years upon adoption of this report by the House.

**8.1.21 Failure to Operate Separate Bank Account for Retention, Deposits and Third-Party Funds**

1061. Management did not operate a separate bank account to hold third-party funds and ensure timely availability of the funds as and when needed by the respective third parties.

**Management Response**

1062. Management submitted that they agree with the findings. Management stated that the Council resolved to activate one dormant account to serve the purpose.

***Committee Observation***

1063. The Committee observed that failure to operate a separate bank account for retention, deposits, and third-party funds exposes such funds to risk of unauthorized use, misappropriation, or commingling with operational funds, contrary to Section 68(2)(1) of the Public Finance Management Act, Cap. 412A, which requires Accounting Officers to maintain proper financial management systems.

***Committee Recommendation***

1064. The Committee reprimands the Accounting Officer for failure to ensure proper financial management and safeguarding of public resources, as required under Section 68(1) of the Public Finance Management Act, Cap. 412A, and recommends that evidence of a separate account for retention, deposits, and third-party funds be provided to the Office of the Auditor General for verification and reporting in the next audit cycle.

**8.1.22 Failure to Return Unutilized Higher Education Loans Board (HELB) Loans and Bursaries Balances**

1065. Analysis of records revealed that various students who had left the institution had fee prepayments totaling Kshs. 22,062,524.25, and no refund of unutilized loans and bursaries from HELB had been made.

**Management Response**

1066. The Management submitted that refunds of unutilized HELB funds are initiated by beneficiaries except those who have completed their highest level. The Management submitted that HELB loans are normally disbursed when some trainees are on attachment, and prepayments for trainees advancing to higher levels are retained for utilization in their

next levels unless the trainee initiates a refund. Management further stated that annual returns are made to HELB detailing the unutilized funds that have been rerouted.

***Committee Observation***

1067. The Committee observed that the failure to refund unutilized HELB loans and bursaries totaling Kshs. 22,062,524.25 for students who have left the institution constitutes a breach of fiduciary duty and may deny other deserving students access to funding.
1068. The Committee observed that the practice contravened the HELB Act and the terms and conditions of disbursement of loans and bursaries, which require that unutilized funds be returned for reallocation to other beneficiaries.

***Committee Recommendation***

1069. Committee recommends that the Accounting Officer should ensure that within two (2) months upon adoption of this report, all unutilized HELB loans and bursaries funds are returned to HELB and the evidence of the same together with the schedule of beneficiaries submitted to the Office of the Auditor General for review and reporting in the next audit cycle.

**8.1.23 Supply and Delivery of Fourteen-Seater Branded College Van**

1070. An irregular advance payment of Kshs. 2,000,000 was made to the supplier on 19 March 2025 for a college van valued at Kshs. 6,100,000. The advance payment was not provided for in the contract or tender documents.

**Management Response**

1071. The Management submitted that during the audit process, a performance guarantee was indeed available and was filed separately, and therefore was not included with the payment documents reviewed during the audit.

***Committee Observation***

1072. The Committee observed that the management made an advance payment of Kshs. 2,000,000 but failed to submit evidence to the auditor showing that the payment was provided for in the contract. The validity of the expenditure could therefore not be verified.

***Committee Recommendation***

1073. Committee recommends that the Accounting Officer should submit the performance guarantee to the auditors for review and reporting in the next audit cycle.

**8.1.24 Ineffective Internal Audit Function and Audit Committee**

1074. Review of Internal Audit Unit operations and internal and external correspondences revealed notable conflict and disagreement between Management, Internal Audit Unit, and the Audit Committee. This undermined the effective functioning of the Audit Committee and the

Internal Audit Unit. Further, there was no evidence provided indicating that the Accounting Officer implemented the recommendations of the Audit Committee.

**Management Response**

1075. The Management submitted that they disagree with the reported conflicts. Management clarified that they have consistently supported the operations of the internal audit and the functions of the audit committee, demonstrated through the facilitation of committee meetings, provision of capacity-building initiatives for committee members, and implementation of recommendations to enhance effectiveness.

***Committee Observation***

1076. The Committee observed that conflict between Management, Internal Audit, and the Audit Committee severely undermines the effectiveness of internal controls and governance.
1077. Further, the failure to provide evidence of implementation of Audit Committee recommendations indicates weak oversight and accountability. This contravened Section 73(2) of the Public Finance Management Act, Cap. 412A, which requires public entities to establish and maintain effective internal audit units, and Section 68(2)(1) which requires Accounting Officers to ensure proper financial management systems.

***Committee Recommendation***

1078. The Committee recommends that the Accounting Officer and the Board should ensure compliance with Section 73 of the Public Finance Management Act, Cap. 412A and provide evidence of implementation of Audit Committee recommendations to the Office of the Auditor General for review and reporting in the next audit cycle.

**8.1.25 Weaknesses in Information Technology (ICT) Governance Controls**

1079. Review of the ICT control environment revealed that the Institute lacked an ICT Strategic Plan.

**Management Response**

1080. Management submitted that they acknowledge the Auditor's observation concerning weaknesses in Information Technology governance and controls. Management stated that the ICT Strategic Plan has been developed, though it is still in draft form, and will be presented to the full board in their next meeting for discussion and approval.

***Committee Observation***

1081. The Committee observed that the absence of an approved ICT Strategic Plan exposes the Institute to risks of uncoordinated ICT investments, inadequate security controls, and misalignment with institutional objectives. This contravenes the guidelines on ICT governance in the public sector and best practices for information systems management.

***Committee Recommendation***

1082. The Committee recommended that the Accounting Officer should ensure that the Institution has an ICT policy and Strategic Plan in place within six (6) months of the adoption of this report.



## 9.0 KERICHO TOWNSHIP TECHNICAL AND VOCATIONAL COLLEGE

Mr. Shadrack Tonui, Principal accompanied by: -

(i) CPA. Enock Kosgei Finance Officer

appeared before the committee to adduce evidence on the Audited Accounts of Kericho Township and Technical Vocational Colleges for the Financial Year 2021/22 to 2024/2025 on the 17<sup>th</sup> February, 2026, and informed the Committee as follows: -

### **Audited Financial Statements for Financial Year 2021/2022 (Qualified Opinion)**

#### **9.1.1 Inaccuracy of the Receivables from Exchange Transactions**

1083. The statement of financial position reflects prior year amounts in receivables from exchange transactions of Ksh. 13,655,698 while recalculated prior year amounts in Note 14 to the financial statements reflects receivables of Ksh. 12,193,198 resulting to unexplained variance of Ksh. 1,462,500. Further, management did not provide for impairment of the receivables for both financial years. Therefore, it assumed that all receivables from exchange transactions are recoverable, which is unlikely. In the circumstances, the accuracy and completeness of receivables from exchange transactions of Ksh. 12,887,215 could not be confirmed.

#### **Management Response**

1084. The Management submitted that they acknowledge the Auditor's observation on the variance. They stated that the variances have since been corrected in the subsequent financial year 2022/2023.

#### **Committee Observation**

1085. The Committee observed that while management corrected the prior year variance in the subsequent financial year, the response did not address the issue relating to non-provision for impairment of receivables.

1086. The Committee further noted that the assumption that all receivables are recoverable contradicts the prudence principle of accounting as prescribed under International Public Sector Accounting Standards.

#### **Committee Recommendations**

1087. The Committee recommends that the Accounting Officer should ensure that a provision for impairment is made for all long-outstanding receivables in compliance with International Public Sector Accounting Standards.

1088. The Committee further recommends that the Office of the auditor General should confirm that the variances have been corrected in the next audit cycle.

#### **9.1.2 Budgetary Control and Performance**

1089. The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects final receipts budget and actual amounts on comparable basis of Ksh. 34,304,580

and Ksh 18,215,603 respectively resulting to an underfunding of Ksh 16,088,977 or 47% of the budget. Similarly, college expended Ksh 20,578,329 against an approved budget of Ksh 34,304,580 resulting to an under-expenditure of Ksh 13,726,251 or 40% of the budget. In the circumstances, the underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery by the college.

#### **Management Response**

1090. The Management submitted that this was as a result of delayed or non-disbursement of Capitation. They explained that failure or delay in Funds Disbursement derailed operations since 53% of the fee structure was funded by Government Capitation.

#### **Committee Observation**

1091. The Committee observed that the significant underfunding (47%) and resultant under-expenditure (40%) severely impacted the College's ability to implement its planned activities and may have compromised service delivery to students.

1092. The Committee further observed that while the reliance on government capitation is acknowledged, the Committee noted that management has since taken proactive steps to supplement revenue through Internally Generated Activities, which is a positive development towards financial sustainability.

#### **Committee Recommendations**

1093. The Committee recommends that the Accounting Officer should continue diversifying its revenue streams to reduce over-reliance on government capitation.

1094. The Committee further recommends Institution should strengthen its budget planning process to align expenditure with realistic revenue projections, ensuring that critical programs are prioritized in the event of funding shortfalls.

#### **9.1.3 Unresolved Prior Year Matters**

1095. Unresolved prior year Matters;

- (i) Unsupported property, plant and equipment
- (ii) Unsupported capital fund
- (iii) Land ownership document
- (iv) Budgetary control and performance
- (v) Non-compliance with law on ethnic composition
- (vi) Lack of internal checks
- (vii) Payment of salaries below minimum wage

#### **Management Response**

1096. The Management submitted that they acknowledge the Auditor's observations and stated that all issues are resolved except for Land ownership document and Non-compliance with law on ethnic composition.

### ***Committee Observation***

1097. The Committee observed that two critical issues from prior years remain unresolved, particularly the land ownership document and non-compliance with ethnic diversity requirements.
1098. The Committee stated that the lack of full resolution on these matters exposes the College to legal and reputational risks.

### ***Committee Recommendation***

1099. The Committee recommends that the Accounting Officer should at all times comply with Section 68 (2) (1) of the PFM Act, Cap.412A by taking appropriate measures to resolve any issues arising from audit which may remain outstanding.
1100. Further, that the accounting officer should ensure that the institution is compliant with the Sections 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N, which requires public establishments to represent the diversity of Kenya.

## **9.1.4 Land Ownership Documentation**

### **Land without title deed**

1101. The statement of financial position and as disclosed under note 18 to the financial statements reflect PPE with NBV Ksh. 161,803,904 which includes freehold land valued at Ksh. 60,000,000 and has no title deed. Further, letter of allotment in possession of the college dated 17 February, 2005 shows that the land is registered under Kericho Township Primary school while a letter to the institution by National Lands Commission dated 27 June, 2022 states that the matter is being looked into by the National land Commission and Kericho County Government respectively. In circumstances, the ownership of the parcel of land valued at Ksh. 60,000,000 could not be confirmed.

### **Management Response**

1102. The Management submitted that the land documentation is currently under file compilation and circulation with the relevant land authorities, as part of the ongoing process towards issuance of land title.

### ***Committee Observation***

1103. The Committee observed that while the land has been occupied and utilized by the College since 2005, legal ownership remains vested in Kericho Township Primary School. Despite the matter being under consideration by the National Land Commission and the Kericho County Government since June 2022, no title deed has been issued to the College. This protracted delay exposes the institution to significant legal and financial risk, including potential loss of the asset, currently valued at approximately Kshs. 60,000,000.

### ***Committee Recommendation***

1104. The Committee recommends that, within six (6) months of the adoption of this Report, the Accounting Officer should liaise with the National Land Commission, the Kericho County Government, and the Ministry of Lands and Physical Planning to facilitate the issuance of a title deed and secure legal ownership of the land. This will safeguard the public asset. In addition, the Office of the Auditor-General (OAG) should report on the progress made in the subsequent audit cycle.

### **9.1.5 Failure to Comply with Ethnic Balance**

1105. During the year under review, the vocational college did not have a substantive human resource officer. In addition, twenty-seven employees of the college (100%) were members of the same ethnic community contrary to provisions of section 7(1) and (2) of the National Cohesion Act, Cap.7N which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institutions shall have more than one-third of its staff establishment from the same ethnic community. In circumstances, management was in breach of the law.

### **Management Response**

1106. The Management submitted that gradually ethnic balance is being achieved. However, they stated that the challenge has been due to low salary which does not attract candidates from outside the county.

### ***Committee Observation***

1107. The Committee observed that the staffing composition of the institution did not comply with the legal requirements on ethnic diversity, which is contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, Cap.7N which requires public institutions to reflect the diversity of the people of Kenya and prohibits any public establishment from having more than one-third of its staff from the same ethnic community. The Committee further observed that this is a cross-cutting issue affecting many institutions.

### ***Committee Recommendation***

1108. The Committee recommends that the Accounting Officer should put in place deliberate measures to ensure full compliance with the law within two (2) years upon adoption of this report by the House.

### **9.1.6 Lack of Internal Audit Function**

1109. Kericho Township Technical and Vocational College management has not put in place an internal audit function to carry out the functions outlined in Regulation 160(1) of the Public Finance Management (National Government) Regulations, (2015).

### **Management Response**

1110. The Management submitted that they concurred with the observation. However, as a growing institution, it had been a challenge due to financial ability to establish all the functions. However, they endeavored to comply and stated they would budget for and establish an internal Audit function in the coming financial year 2022/2023.

### ***Committee Observation***

1111. The Committee observed that the management has since established the internal audit function, as evidenced by the advertisement and appointment letter provided. This demonstrated a commitment to strengthening governance and internal controls.
1112. The matter was adequately addressed and resolved.

## **Audited Financial Statements for Financial Year 2022/2023 (Qualified Opinion)**

### **9.1.7 Refundable Deposits Retention Account**

1113. The statement of financial position reflects refundable balances amounting to Ksh. 740,350 being students Caution fee disclosed in Note 19. However, the college did not maintain bank account for caution fees. In circumstances, the accuracy, completeness and existence of students caution fee of Ksh. 740,350 could not be confirmed.

### **Management Response**

1114. The Management submitted that the observation by the Auditor-General was noted and the Board took corrective action by stopping the charging of caution money in the college fee structure.
1115. The Management further submitted that although a retention account is yet to be opened, the institution has ceased collecting additional caution money from students.

### ***Committee Observation***

1116. The Committee observed that failure by the Institution to maintain a separate retention account for caution fees exposes public funds to risks of misappropriation and weak financial accountability.

### ***Committee Recommendation***

1117. The Committee recommends that the Accounting Officer should ensure that refundable balances amounting to Ksh. 740,350 being students Caution fee should be refunded to the respective students within three (3) months upon adoption of this report by the House and supporting evidence submitted to the Office of the Auditor General for reporting in the subsequent audit cycle.

### **9.1.8 Lack of Aging Analysis on Receivables and Payables**

1118. The statement of financial position reflects receivables from exchange transactions – student debtors amounting to Ksh. 15,274,300 as disclosed in Note 15 to the financial statements.

Further, the statement reflects trade and other payables from exchange transactions of Ksh. 7,108,617 and refundable deposits from customers of Ksh. 740,350 as disclosed in Note 18 and 19 respectively. Similarly, creditors ageing analysis was not provided in the notes to the financial statements. In circumstances, the financial statements were not prepared with the Public Sector Accounting Standards Template.

#### **Management Response**

1119. The Management submitted that the Institution has procured and installed an Enterprise Resource Planning (ERP) system which is currently operational.
1120. The Management further submitted that the system now facilitates generation of ageing reports for both receivables and payables, thereby enabling proper monitoring and financial reporting.

#### **Committee Observation**

1121. The Committee observed that failure to provide aging analysis of receivables and payables undermines transparency and makes it difficult to assess the recoverability of debts and liquidity position of the institution, and is against the Public Sector Accounting Standards reporting Template.
1122. The Committee further observed that the management has put in place an ERP system that facilitates generation of ageing analysis reports.

#### **Committee Recommendation**

1123. The Committee reiterates its recommendation on the refundable deposits from customers of Ksh. 740,350 and further recommends that the Accounting Officer should within three (3) months upon adoption of this report by the House submit to the Office of the Auditor General an ageing analysis for review and reporting in the subsequent audit cycle.

#### **9.1.9 Land Without Title Deed**

1124. Note 16 to the statement of financial position the financial statements reports Property, Plant and Equipment with Net Book Value Ksh. 161,490,391. The Net Book Value includes freehold land valued at Ksh. 60,000,000 and had no title deed. A letter of allotment in possession of the college dated 17 February, 2005 shows that the land is registered under Kericho Township Primary school. A letter to the institution by National Lands Commission dated 27 June, 2022 states that the matter is being looked into by the National Land Commission and Kericho County Government respectively. There has however been no further communication on the matter. In circumstances, the college cannot claim ownership of the parcel of land.

#### **Management Response**

1125. The Management submitted that the land documentation is currently under file compilation and circulation with relevant land authorities, as part of the process of obtaining the title

deed and that the matter is currently being handled by the National Land Commission and the County Government of Kericho.

1126. Additionally, the management submitted that the Government motor vehicle assigned to the Institution remains under the ownership of the State Department for Vocational and Technical Training, having been allocated to the Institution through a Ministry of Education letter.

#### ***Committee Observation***

1127. The Committee observed that the matter of the land without a title deed was recurring from the previous Financial Year and reiterates its recommendation.
1128. The Committee observed that the management breached Section 68(1) of the Public Finance Management Act, Cap. 412A, which requires Accounting Officers to safeguard public assets, and IPSAS 17 – Property, Plant and Equipment require entities to recognize assets in the financial statements only where ownership and control can be clearly demonstrated.

#### ***Committee Recommendation***

1129. The Committee recommends that the Accounting Officer should ensure compliance with the reporting requirements under IPSAS 17.

### **9.1.10 Budgetary Control and Performance**

1130. The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Ksh. 70,228,480 and Ksh. 41,271,401 respectively resulting to an underfunding of Ksh. 28,957,439 or 41% of the budget. Similarly, the statement reflects actual expenditure of Ksh. 41,082,229 resulting to an under-expenditure of Ksh. 27,556,251 or 40% of the budget. The underfunding or underperformance affected planned activities and may have impacted negatively on service delivery by the college.

#### **Management Response**

1131. The Management submitted that the revenue shortfall was largely due to insufficient capitation and low student fee collection, which affected the projected revenue. Further, the management submitted that the Institution has entered into Inter-Governmental Agreements (IGA) aimed at supplementing institutional revenue.

#### ***Committee Observation***

1132. The Committee observed that the institution experienced significant underfunding due to non-receipt of capitation funds from the parent Ministry, which affected implementation of planned activities. The Committee noted that the delayed release of capitation was a matter cutting across multiple institutions.
1133. The Committee further observed that learning institutions were over-reliant on the government capitation and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

1134. The Committee recommends the Ministry of Education, State Department for Vocational and Technical Training should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.
1135. Further, that the Accounting Officer should explore other income generating activities to supplement the institutions income and reduce the dependence on government funding.

### **9.1.11 Non-Compliance with the National Cohesion and Integration Act, Cap.7N**

1136. During the year under review, the personnel records indicated that the college had sixty-nine (69) employees. Out of this, sixty-seven (67), or 97% were from the dominant community while 3% were from other communities contrary to Section 7 of the National Cohesion and Integration Act, Cap.7N which seeks to represent the diversity of the people of Kenya.

### **Management Response**

1137. The Management submitted that the Institution has been gradually addressing ethnic imbalance through recent recruitment processes.
1138. However, the management submitted that recruitment from other communities has been challenging due to low salary levels which make it difficult to attract applicants from outside the County.

### **Committee Observation**

1139. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **9.1.12 Lack of Internal Audit Function**

1140. Kericho Township Technical and Vocational College management has not put in place an internal audit function to carry out the functions outlined in Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015. Further, there was no Audit Committee in place.

### **Management Response**

1141. The Management submitted that due to financial constraints associated with a growing institution, the establishment of an internal audit function had been delayed. However, The management submitted that the Institution has since established an Internal Audit Function which is now operational.

### **Committee Observation**

1142. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **9.1.13 Lack of Management Information System**

1143. Kericho Township Technical and Vocational College maintained and operated its accounting processes and reports manually on excel sheets during the financial year under review. In circumstances, the records are prone to errors and manipulation which can result to fraudulent activities.

#### **Management Response**

1144. The Management submitted that the Institution has since procured and implemented a Management Information System, which is currently operational.

#### **Committee Observation**

1145. The Committee observed that the institution reported to have in place a management information System which was fully operational.

#### **Committee Recommendation**

1146. The Committee recommends that the Office of the Auditor General should verify and report on the matter in the subsequent audit cycle.

### **Audited Financial Statements for Financial Year 2023/2024 (Qualified Opinion)**

#### **9.1.14 Unsupported Receivables from Exchange Transactions**

1147. The statement of financial position reflects receivables from exchange transactions totalling Ksh. 56,094,141 in respect of student debtors as disclosed in Note 14 to the financial statements. However, the fee statement or student debtors control ledger and ageing analysis of the student debtors were not provided for audit review.

1148. Further, Note 14(a) to the financial statements reflects receivables totalling Ksh. 7,331,664 or 13% of the total student debtors which had been outstanding for more than one year. However, no provision has been made for impairments of the receivables in the financial statements. Management has also not taken any measure to recover the long outstanding receivables.

1149. In circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions balance Ksh. 56,094,141 could not be confirmed.

#### **Management Response**

1150. The Management submitted that student debtors are currently fully supported by a Student Debtors Control Ledger and an ageing analysis generated by the Institution's financial management system.

1151. The Management further submitted that the Finance Policy has been reviewed to provide for provision for bad and doubtful debts at 30% for debts outstanding for more than three (3) years, which will be implemented beginning Financial Year 2025/2026.

### ***Committee Observation***

1152. The Committee observed that the failure to maintain proper debtors' records and ageing analysis undermines transparency and effective financial management thus Management breached the provisions of Section 68(2)(1) of the Public Finance Management Act, Cap. 412A, which mandates Accounting Officers to maintain proper financial records and implement effective financial management systems to ensure the integrity and reliability of financial information.
1153. The Committee further noted that IPSAS 29 – Financial Instruments: Recognition and Measurement and IPSAS 41 – Financial Instruments require entities to recognize impairment provisions for receivables whose recoverability is doubtful. Failure to assess and provide for such impairments undermines the fair presentation of the financial position and compromises the accuracy of reported assets.

### ***Committee Recommendation***

1154. The Committee recommends that the Accounting Officer should within three (3) months of the adoption of this report, submit to the Auditor-General and the Committee a complete student debtors ledger and ageing analysis for verification, implement the revised Finance Policy providing for impairment of doubtful debts at a minimum of 30% for debts outstanding beyond three years in full compliance with IPSAS 29 and IPSAS 41 requirements, and develop a formal debt recovery strategy with clear timelines and actions for collecting long outstanding receivables, with evidence of implementation to be reported in the subsequent audit cycle.

### **9.1.15 Unsupported Property, Plant and Equipment**

1155. The statement of financial of position reflects totalling Ksh. 179,960,193. The amount includes land and building structures valued at Ksh. 60,000,000 and 99,695,263 respectively, as disclosed in Note 16 to the financial statements. However, allotment letter for the six hectares of land occupied by the college indicate that the land is not the name of the college but instead registered in the name of Kericho Township Primary school. Management did not provide reasons why ownership had not been transferred to the college.
1156. Further, Physical inspection of the assets revealed that the college had one vehicle bearing government registration plate that had been donated by the State Department for Vocational and Technical Training. However, the vehicle's log book was not provided for audit review.
1157. In addition, the amount includes capital work in progress totalling Ksh. 580,000 as disclosed in Note 16 to the financial statements. The capital work in progress amount is net of transfers /adjustments amounting to ksh.772, 860 as disclosed in Note 16 to the financial statements. However, transfer or adjustment schedule was not provided for audit review.
1158. In circumstances, the accuracy and completeness of property, plant and equipment totalling Ksh. 179,960,193 could not be confirmed.

### **Management Response**

1159. The Management submitted that land ownership documentation is currently under compilation and circulation with relevant land authorities to facilitate issuance of a title deed in favour of the Institution.
1160. The Management further submitted that the motor vehicle bearing a government registration plate was allocated to the Institution by the State Department for Vocational and Technical Training for training purposes, and therefore ownership remains with the Government.

### **Committee Observation**

1161. The Committee observed that the matter had been addressed in the previous financial years and reiterates its recommendation.

### **9.1.16 Unsupported Trade and Other Payables**

1162. The statement of financial position reflects trade and other payables from exchange transactions totalling Ksh. 31,118,094. The amount includes trade payables totalling Ksh. 26,774,916 as disclosed in Note 18 to the financial statements. However, the creditors control ledger containing the suppliers' and contactors' details, invoiced amounts, settled amounts, outstanding payments and the corresponding dates the goods, services or works were received were not provided for audit review.
1163. In circumstances, the accuracy, completeness and existence of the trade payables totalling Ksh. 26,774,916 included under trade payables in the statement of financial position could not be confirmed.

### **Management Response**

1164. The Management submitted that trade and other payables are currently fully supported by a creditors control ledger containing full details of suppliers, contracts, invoiced amounts and outstanding balances.

### **Committee Observation**

1165. The Committee observed that failure to maintain proper creditors' records undermines financial accountability and transparency in management of public liabilities.

### **Committee Recommendation**

1166. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a comprehensive creditors control ledger and detailed supporting schedules for all trade and other payables, duly reconciled and verified, in full compliance with IPSAS financial reporting requirements on the completeness, accuracy, and proper disclosure of payables in the financial statements for review.

### **9.1.17 Unsupported Refundable Balances**

1167. The statement of financial position reflects refundable balances totalling Ksh. 1,730,050 in respect of caution money as disclosed in Note 19 to the financial statements. However, a separate bank account was not maintained for the deposits.
1168. Further, a review of records revealed that the deposits were banked in the operations bank account. However, the operations bank account has a balance of Ksh.578, 010 as disclosed in Note 13 to the financial statements resulting in unexplained variance of Ksh. 1,152,040. This is an indication of unauthorized spending of refundable deposits.
1169. In circumstances, the accuracy, completeness and existence of refundable deposits totalling Ksh. 1,730,050 could not be confirmed.

#### **Management Response**

1170. The Management submitted that the Board resolved to stop charging caution money in the college fee structure.
1171. The Management further submitted that although a retention account has not yet been opened, the Institution has stopped collecting additional caution deposits.

#### **Committee Observation**

1172. The Committee observed that mixing refundable deposits with operational funds exposes such deposits to unauthorized use and weak financial accountability.

#### **Committee Recommendation**

1173. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should establish a separate bank account for the custody of all refundable deposits, conduct a reconciliation of the Ksh. 1,730,050 caution money balance to account for the unexplained variance of Ksh. 1,152,040, and the Office of Auditor-General should report in the subsequent audit cycle.

### **9.1.18 Unsupported Fees Received in Advance**

1174. The statement of financial position reflects fees received in advance totalling Ksh. 6,782,665 as disclosed in note 20 to the financial statements. However, supporting schedule showing the date of receipt, students particulars, invoiced amount, actual fees received, and the fees received in advance were not provided for audit review.
1175. In circumstances, the accuracy, completeness and existence of fees received in advance totalling Ksh. 6,782,665 could not be confirmed.

#### **Management Response**

1176. The Management submitted that fees received in advance are currently fully supported by a ledger containing details of invoicing, fees received and outstanding balances.

### ***Committee Observation***

1177. The Committee observed that failure to maintain proper supporting schedules compromises accuracy of financial reporting.

### ***Committee Recommendation***

1178. Within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor General a complete and detailed schedule of fees received in advance, duly supported by individual student account statements, transaction particulars, and an ageing analysis demonstrating the validity, accuracy, and completeness of the Ksh. 6,782,665 balances reflected in the financial statements for verification and reporting in the subsequent audit cycle.

### **9.1.19 Non-Compliance with the National Cohesion and Integration Act, Cap.7N)**

1179. Review of staff records indicated that the college had a total of eighty-seven employees out of which eighty-three or 95% of the total number were from the same community. This was contrary to section 7(2) of the National cohesion and integration Act, Cap.7N which states that no public establishment shall have more than one-third of its staff from the same ethnic community.

### **Management Response**

1180. The Management submitted that the Institution is gradually addressing ethnic imbalance through recruitment processes. However, the management submitted that low salary levels limit the ability to attract candidates from outside the County.

### ***Committee Observations.***

1181. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **9.1.20 Non-Remittance of Payroll Deductions and Statutory Dues**

1182. The statement of financial position reflects trade and other payables from exchange transactions totalling Ksh. 31,118,094. The amount includes salary deductions totalling Ksh. 1,896,870 as disclosed in Note 18 to the financial statements. Review of records revealed that the deductions were in respect of payroll deductions and statutory dues which had not been remitted to the relevant institutions and bodies. This was contrary to section 19(4)(5) of the Employment Act, Cap. 226 which requires an employer who deducts an amount from an employee's remuneration to pay the amount so deducted in accordance with the time period and other requirements specified in the law.

1183. In circumstances, management was in breach of the law.

### **Management Response**

1184. The Management submitted that statutory deductions are remitted monthly within prescribed timelines.
1185. The Management further explained that deductions relating to June 2024 were remitted before the statutory deadline of 9 July 2024.

### ***Committee Observation***

1186. The Committee observed that the management breached Section 19(4)&(5) of the Employment Act, 226 which requires an employer who deducts an amount from an employee's remuneration to pay the amount so deducted in accordance with the time period and other requirements specified in the law and delays in remittance of statutory deductions expose employees to financial risks and place the Institution in continuous breach of the law.

### ***Committee Recommendation***

1187. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should submit to the Office of the Auditor General evidence confirming the timely remittance of all statutory deductions for verification and reporting in the subsequent Audit cycle.

### **9.1.21 Weaknesses in the Implementation of Enterprise Resource Planning System**

1188. Review of financial records revealed that college transitioned from the use of manual accounting systems by implementing an enterprise resource planning system, with the main objective of bringing in efficiency in operations within the college. However, there was no approved change management policy that documented formal procedures to be followed in effecting the movement of records and data, testing of changes and post implementation review of changes done. Further, the system had not been fully implemented since some financial records were maintained in manual form without the necessary backups thereby exposing the college's financial information to risks of inaccuracy, inefficiencies, manipulations and possible loss.
1189. In addition, there was lack of integration among various departments and the system's developers who were not employees of the college retained unhindered access rights and still executed the functional roles of different departments on behalf of staff.
1190. In the circumstances, the implemented changes in the system may not meet the business requirements.

### **Management Response**

1191. The Management submitted that daily data backup is currently conducted through hard drive storage and cloud backup systems to safeguard institutional data.

### ***Committee Observation***

1192. The Committee observed that lack of a formal change management policy and system access controls exposes institutional data to risks of manipulation and loss.

### ***Committee Recommendation***

1193. The Committee recommends that within three (3) months of the adoption of this Report, the Accounting Officer should develop and implement a formal ICT change management policy, restrict system access rights to authorized staff, and submit evidence to the Auditor-General demonstrating full ERP system implementation with adequate data security controls for review and reporting in the subsequent audit cycle.

## **Audited Financial Statements for Financial Year 2024/ 2025 (Qualified Opinion)**

### **9.1.22 Inaccuracy in Revenue from Rendering of Services – Fees from Students**

1194. The statement of financial performance and as disclosed in Note 6 to the financial statements reflects revenue from rendering of services- fees from students amounting to Ksh. 96,003,233. However, the amount differed with the billing/invoicing records totalling Ksh. 126,853,525 resulting in unexplained variance of Ksh. 30,850,292. In circumstances, the accuracy and completeness of revenue from rendering of services amounting to Ksh. 96,003,233 could not be confirmed.

### **Management Response**

1195. The Management submitted that the variance arose following the issuance of a Government Circular on Modularized Training after the Institution had already invoiced students using the previous fee structure.

1196. The management submitted that adjustments were made to invoices to align them with the new approved fee structure, resulting in system adjustments which reduced balances in the general ledger while retaining the original invoice records.

1197. The Management further submitted that the Institution has since aligned the billing system with the new fee structure, and therefore revenue records from student fees are currently accurate.

### ***Committee Observation***

1198. The Committee observed that the Management initially reported revenue from student fees totalling Ksh. 96,003,233, which differed from billing records amounting to Ksh. 126,853,525, resulting in an unexplained variance of Ksh. 30,850,292.

1199. The Committee further observed the discrepancy undermined the accuracy and completeness of revenue recognition in the financial statements, contrary to Section 68(2)(1) of the Public Finance Management Act, Cap. 412A and IPSAS 9 – Revenue from Exchange Transactions.

### ***Committee Recommendation***

1200. The Committee recommends that within three (3) months upon adoption of this Report, the Accounting Officer should put ensure the reconciliations are done and submit the evidence the Auditor-General for verification and reporting in the subsequent audit cycle.

### **9.1.23 Unsupported Receivables from Exchange Transactions**

1201. Unsupported Receivables from Exchange Transactions- The statement of financial position reflects receivables from exchange transactions totalling Ksh. 125,964,454. The balance includes student debtors amounting to Ksh. 125,248,967 as disclosed in Note 14 to the financial statements. However, the student debtors were not supported by the fee statement or student debtors control ledger indicating students' details, the fees chargeable, actual payment received, the outstanding balance and the corresponding dates the fees arrears were incurred. The ageing analysis indicating how long the receivables had been outstanding was also not provided. Further, the balance includes receivables totalling Ksh. 39,369,296 as disclosed in Note 14(a) to the financial statements which had remained outstanding for over one year. However, no provision was made for bad and doubtful debts and evidence indicating that proper mechanism had been put in place to recover these long overdue debts was not provided.
1202. In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions totalling Ksh. 125,964,454 could not be confirmed.

### **Management Response**

1203. The Management submitted that receivables from exchange transactions are currently supported by fee statements and detailed student debtor records.

### ***Committee Observation***

1204. The Committee observed that failure to maintain proper debtor records and impairment provisions undermines transparency and financial accountability and IPSAS 29 / IPSAS 41 which requires entities to recognize impairment losses for doubtful receivables.

### ***Committee Recommendation***

1205. The Committee recommends that within three (3) months of the adoption of this Report, the Accounting Officer should submit complete student debtor ledgers with ageing analysis and provide evidence of impairment provisions for doubtful debts in compliance with IPSAS 29 and IPSAS 41 – Financial Instruments to ensure transparency and financial accountability.

### **9.1.24 Unsupported Property, Plant and Equipment**

1206. Unsupported Property, Plant and Equipment- The statement of financial position reflects property, plant and equipment totalling Ksh. 174,136,836. The amount includes land and buildings and structures amounting to Ksh. 60,000,000 and Ksh. 97,588,748 respectively as disclosed in Note 16 to the financial statements. However, the parcel of land approximated

at 6 acres had not been surveyed and ownership documents were not provided for audit. The college is also in possession of one motor vehicle donated by the state Department of vocational and Technical Training. However, the vehicle was not registered in the name of the college nor recorded in the fixed asset register.

1207. In addition, review of the asset register presented for audit revealed that the register was not prepared in the format prescribed with minimum requirements of identification or serial number, acquisition date, description of asset, location, responsible officer, class, cost of acquisition, accumulated depreciation, net book value and identification codes with which assets were tagged. This was contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.
1208. In circumstances, the accuracy, completeness and ownership of College's property, plant and equipment totalling Ksh. 174,136,836 could not be confirmed.

#### **Management Response**

1209. The Management submitted that land documentation is currently under processing with relevant land authorities to facilitate issuance of the title deed.
1210. The Management further submitted that the motor vehicle assigned to the Institution was allocated by the State Department for Vocational and Technical Training, and ownership therefore remains with the Government.

#### **Committee Observation**

1211. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **9.1.25 Unsupported Refundable Balances**

1212. The statement of financial position and as disclosed in Note 20 to the financial statements reflects refundable balances totalling Ksh. 4,063,245. However, a separate bank account was not maintained for the deposits and refundable balances. Further, the amount differs with the cash and cash equivalents balances totalling Ksh. 1,090,954 reflected in Note 13 to the financial statements resulting in unexplained variances of Ksh. 2,972,291. This is an indication of unauthorized spending of refundable balances and evidence to disclose proof that the refundable balances were safely kept and available for payment when due was not provided. In circumstances, the accuracy, completeness and existence of refundable balances totalling Ksh. 4,063,245 could not be confirmed.

#### **Management Response**

1213. The Management submitted that the Board resolved to stop charging caution money in the college fee structure.

### ***Committee Observation***

1214. The Committee observed that refundable balances totalling Ksh. 4,063,245 were not maintained in a separate account, resulting in unexplained variances and potential unauthorized spending. This contravenes Section 68(1) of the Public Finance Management Act, Cap. 412A and IPSAS 1 – Presentation of Financial Statements requiring proper accountability for liabilities.

### ***Committee Recommendation***

1215. The Committee recommends that the Accounting Officer should ensure that within three months of the adoption of the report by the House, caution money should be refunded to eligible students and the supporting evidence submitted to the Office of the Auditor General for verification and reporting in the subsequent audit cycle.

### **9.1.26 Budgetary Control and Performance**

1216. Budgetary Control and performance - the statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Ksh. 221,615,900 and Ksh 78,842,943 respectively resulting to an underfunding of 142,772,957 or 64% of the budget. Further, the statement reflects final expenditure budget and actual on comparable basis amounting to 221,615,900 and Ksh. 79,127,592 respectively resulting to an under -expenditure of Ksh 148,488,308 or 64% of the budget. The underfunding or under-utilization affected planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

1217. The Management submitted that the variance was largely due to delayed disbursement of scholarships and capitation from the Ministry of Education and the Higher Education Loans Board (HELB).

### ***Committee Observation.***

1218. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **9.1.27 Irregular Borrowing from Kericho National Polytechnic**

1219. The statement of financial position reflects trade and other payables totalling Ksh. 29,918,081. The amount includes third party payments –payable to Kericho National Polytechnic of Ksh. 2,446,308 as disclosed in Note 19 to the financial statements. The Management submitted that the amount was in respect of short-term loan obtained from the mentor institution in the financial year 2021/2022. However, the approval of the board of Governors, loan agreement with details of when the loan was taken, the principal amount, the interest rate applicable and approval of the cabinet secretary were not provided for audit. This was contrary to Section 51(2) of the Public Finance Management Act, Cap.412A which

states that a National Government entity shall obtain approval of the cabinet Secretary for its Intended program of borrowing, refinancing and repayment of loans. Further, the loan had also remained outstanding for more than four years. However, measures put in place to ensure full repayment or a laid down plan on how the funds were to be refunded was not provided for audit. In circumstances, management was in breach of the law.

#### **Management Response**

1220. The Management submitted that the loan was obtained during the COVID-19 period following the death of the then Principal, which temporarily restricted access to the Institution's bank accounts.
1221. The Management further submitted that a repayment plan has been initiated and the first instalment of Ksh. 250,000 has already been paid.

#### **Committee Observation**

1222. The Committee observed that the loan had remained outstanding for more than four years without evidence of measures to ensure full repayment or a laid-down plan for refunding the funds being provided for audit. This omission constituted a breach of the law.
1223. The Committee further noted that the institution subsequently entered into an agreement with its mentor institution, Kericho National Polytechnic, and submitted an agreement dated January 2026 outlining the repayment arrangements for audit review.

#### **Committee Recommendation**

1224. The Committee recommends that the Accounting Officer should ensure that the loan is fully repaid in strict adherence to the terms of the agreement with Kericho National Polytechnic. The Office of the Auditor-General (OAG) should monitor compliance and report on the progress of repayment in subsequent audit cycles to safeguard public funds and ensure accountability.

#### **9.1.28 Non-Compliance with the National Cohesion and Integration Act, (Cap.7N)**

1225. Review of the staff establishment revealed that the college had one hundred and twenty-one members of staff out of whom one hundred and fourteen or 94% members of staff belonged to a single dominant ethnic community. This was contrary to the provisions of section 7 (2) of the National Cohesion and Integration Act, Cap.7N which requires that all public establishments to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.
1226. In the circumstances, management was in breach of the law.

### **Management Response**

1227. The Management submitted that the Institution is gradually addressing ethnic imbalance through recruitment processes, although challenges exist in attracting candidates from other regions.

### ***Committee Observations.***

1228. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

## **10.0 PC KINYANJUI TECHNICAL AND TRAINING COLLEGE**

Ms. Lucy Anampio, Principal, accompanied by: -

- i. Alice Macharia -Finance Officer
- ii. Joseph Mureithi – Procurement Officer
- Margaret Siameto- Internal Auditor

appeared before the Committee to adduce evidence on the audited accounts of PC Kinyanjui Technical Training College, on 4<sup>th</sup> December 2024 and informed the Committee as follows:-

### **Audited Statements for Financial Year 2021/2022 (Qualified Opinion)**

#### **10.1.1 Unsupported Specific Provision for Doubtful Debt**

1229. The statement of changes in net assets reflects accumulated surplus balance of Kshs.52,634,399 which is net of specific provision for doubtful debt of Kshs.13, 850,070. Review of records revealed that the amount relates to a court case on forged cheques from the 2011/2012 to 2013/2014 financial years. The matter was reported to the police and filed in a court of law. The case is still ongoing and the amount was recognized as a contingent asset in the previous financial year. In the year under review, the amount has been the amount has been written off by debiting the accumulated surplus.
1230. However, the basis for the treatment, when the court is yet to determine the case and give a determination, has not been explained. In addition, the policy for bad and doubtful debts has not been provided.
1231. In the circumstances, the accuracy and completeness of the specific provision for doubtful debt of Kshs.13,850,070 for the year ended 30 June,2022 could not be confirmed.

#### **Management Response**

1232. The management submitted that the issue was beyond the Institute risk tolerance levels on financial matters it was treated as a criminal offence hence handled via a Criminal court case number 3390 of 2014.
1233. The Management submitted that the Office of the Principal Secretary State Department for TVET issued a memo authorizing the signing of cheques by management and not the BOG which was one of the loopholes the officers were taking advantage of.

#### **Committee Observation**

1234. The Committee observed in a ruling delivered on 16 March 2023, Hon. A. Mwangi (Chief Magistrate) convicted the accused of the offence pursuant to Section 215 of the Criminal Procedure Code. However, the stolen amount of Kshs 13,850,070 has not been recovered, and as at the time the institution appeared before the Committee, no civil suit had been instituted to facilitate recovery.
1235. The institution has initiated a process to write off the amount without following the prescribed due process. The letter presented in support of the write-off is inadmissible as it lacks a letterhead and date. Furthermore, approval for the write-off of the doubtful debt has not been granted by the National Treasury.

### ***Committee Recommendation***

1236. The Committee recommends that:

- i. the Kshs. 13,850,070 be retained in the institution's records as a receivable or contingent asset, pending full recovery efforts, rather than being written off prematurely.
- ii. The Accounting Officer should establish a clear policy on bad and doubtful debts, aligned with IPSAS and PSASB guidelines, to ensure consistency, transparency, and accountability in future financial reporting.
- iii. The Institution should on their own motion approach the Ethics and Anti-Corruption Commission (EACC) in conjunction with the Assets Recovery Agency (ARA) institute court proceedings to recover the money.

### **10.1.2 Unsupported Capital Fund Balance**

1237. The statements of financial position and changes in net asset reflects a capital fund opening and closing balance of Kshs.750,842,279, which was not supported with a detailed analysis and the period to which it relates.

1238. In the circumstances, the accuracy of the capital fund balance of Kshs.750,842,279 as at 30 June 2023 could not be confirmed.

### **Management Response**

1239. The management submitted that it has since traced the year the capital fund belongs to, prepared an amortization schedule for the same and presented to the Board for approval. The accumulated amortized amount shall be reduced in the Capital fund ledger & FS with effect from the Second quarter of financial year 2024/2025 so as to report the correct capital fund balance to date.

### ***Committee Observation***

1240. The Committee observed that an amortization schedule has been prepared and is currently awaiting approval by the Board.

### ***Committee Recommendation***

1241. The Committee recommends that the matter remains unresolved pending verification and reporting by the Office of the Auditor-General in the subsequent audit cycle.

### **10.1.3 Inaccurate and Unsupported Property, Plant and Equipment Balance**

1242. The statement of financial position and Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.823,401,374. However, review of records revealed that the following unsatisfactory matters: -

- i. The balance includes a parcel of land valued at Kshs.320,000,000 and which subject to a court judgment of 5 December 2019, was determined to be rightfully registered to a third party and not the Institute.

- ii. The title deed to the parcel of land on which the buildings with a reported cost balance of Kshs.505,919,449 were erected was not provided for audit verification.
- iii. Included in the balance is motor vehicle net book balance of Kshs.19,631,977. However, one (1) motor vehicle had its log book jointly registered in the name of the Institute and a local bank. The value and terms of the loan facility on which the charge relates were not been disclosed in the financial statements.
- iv. Included in the balance is plant and equipment with a net book balance of Kshs.56,916,461 and whose detailed analysis, values and ownership records were not provided for audit review.
- v. The Institute benefited from donations from the State Department for Vocational and Technical Training under Mechanical Technology which were delivered, installed and tested in the year, 2019 through the Kenya-China Governments Project. However, the details of the donated assets and their respective values were not provided for audit review.
- vi. The assets register maintained by the Institute did not indicate the purchase date, cost price, current condition, depreciation amount and net book value of the assets.
- vii. In the circumstances, the accuracy, completeness, ownership and existence of property, plant and equipment balance of Kshs.823,401,374 as at 30 June, 2022 could not be confirmed.

#### **Management Response**

1243. The management submitted that the land matter had been handled by the Kenyan Law Courts via case number ELC SUIT NO 289 OF 2009. After the judgement, the church and the Institution have been living harmoniously as they await guidance on the matter.

#### **Committee Observation**

1244. The Committee observed that although management provided a motor vehicle logbook registered in its name, a detailed analysis of the assets was not submitted for verification. In addition, details of donated assets under the Kenya–China Governments Project were not provided. The asset register presented lacked critical information such as purchase date, cost price, depreciation, and net book value, contrary to IPSAS and PSASB requirements. While management indicated that an updated register exists in the Institute’s asset management system, it was not availed for audit review.
1245. The title deed to the parcel of land on which the buildings with a reported cost balance of Kshs.505,919,449 were erected was not provided for audit verification.

#### **Committee Recommendation**

1246. The Committee recommends that the Accounting Officer should ensure that within three (3) months upon adoption of this report by the House: -
- i. The donated assets received under the Kenya–China Governments Project are recorded and disclosed, with proper valuation and recognition in line with IPSAS 23 on revenue from non-exchange transactions.

- ii. The Institution updates and maintains a comprehensive asset register capturing purchase dates, cost, depreciation, condition, and net book values, in compliance with PSASB guidelines.
- iii. Initiate the process of acquiring the title deed for the land and submit evidence to the OAG for verification and reporting.

#### **10.1.4 Overdrawn Bank Account and Unsupported Cash and Cash Equivalents Balance**

1247. The statement of financial position and Note 9 to the financial statements reflects cash and cash equivalents balance of Kshs.19,074,704. Review of the bank reconciliation statements provided revealed that one (1) cash book was overdrawn by Kshs.696,031. The authority to overdraw the cash book was not provided for audit review.
1248. In addition, the bank reconciliation statements for two (2) local bank accounts revealed that there were unreceipted deposits and unrepresented cheques of Kshs.2,793,888 and Kshs.6,205,998 respectively, with some stale unrepresented cheques dating back to 17 September,2021. Details as to when the unreceipted deposits and stale cheques were cleared were not provided for verification.
1249. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.19,074,704 as at 30 June, 2022 could not be confirmed.

#### **Management Response**

1250. The management submitted that the bank reconciliation for the same was done and in the subsequent years the Institute has been reporting balances as per the bank statements as opposed to the balances as per the unadjusted cashbook.
1251. The management had also installed an ERP system, which is integrated with the bank for accuracy and up-to-date reconciliations

#### **Committee Observation**

1252. The Committee observed that the Institute had provided the bank reconciliation statements. However, the Institute has not provided authority to overdraw the cash book.
1253. Though the Institute has installed the ERP system, management had, however, not provided documentation to support whether the stale cheques were subsequently reversed back to the cash book and whether the unreceipted deposits were subsequently receipted.

#### **Committee Recommendations**

1254. The committee reprimands the finance officer for the inconsistencies observed and for misleading the principal. Management must always comply with the required procedures in cash management and carry out timely and regular cash and bank reconciliation in accordance with Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 and:
1255. Recommends that the Accounting Officer should within three (3) months upon adoption of this report by the House ensure that documentation to support whether the stale cheques

were subsequently reversed back to the cash book and whether the unreceipted deposits were subsequently receipted should be submitted to the Office of the Auditor General for review and reporting in the subsequent audit cycle.

#### **10.1.5 Budgetary Control and Performance**

1256. The statement of comparison of budget and actual amounts reflects final receipt budget and actual amount of Kshs.335,356,000 and Kshs.307,634,248 respectively, resulting in a shortfall of Kshs.27 ,721 ,752 or 8%of the budget. Similarly, the Institute incurred a final expenditure of Kshs.287,158,155 against a final budget of Kshs.335,356,000 resulting in budget under-utilization of Kshs.48 ,197 ,845 or 14% of the budget.
1257. In the circumstances, the Institute did not implement planned and approved projects and thus negatively affecting service delivery to its stakeholders. There is therefore need for Management to re-look into its budget mechanism with an aim of making it more realistic.

#### **Management Response**

1258. No response was provided by the management.

#### ***Committee Observation***

1259. The Committee observed that the institute under-collected and underutilised its budget due to delayed capitation disbursement by the government.

#### ***Committee Recommendation***

1260. The committee recommended that the institution should regularly review its budgets to ensure they accurately reflect prevailing circumstances and develop sustainable income-generating activities to supplement its budget.

#### **10.1.6 Prior Year Unresolved Matter**

1261. In the audit report of the previous year, issues were raised under the Report on Financial Statements, Report on Lawfulness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. 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.

#### **Management Response**

1262. No response was provided by management.

#### ***Committee Observation***

1263. The Committee observed that prior year audit matters had been addressed by the committee in the previous paragraphs and reiterates its recommendations.

### **10.1.7 Lack of Ethnic Diversity in Employee Composition**

1264. Review of the employee records revealed that out of the one hundred and twenty-three (123) permanent staff, forty-nine (49) or 40% were from one ethnic community. This is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.
1265. In the circumstances, Management was in breach of the law.

### **Management Response**

1266. The Management submitted that the institute BOG are doing their best to ensure diversity in the recruitments process by placing vacancy adverts in the most accessible modes of advertising, having the most open recruitment process as guided by the institute human resource policy and awarding the best candidate the job offer.

### **Committee Observation**

1267. The Committee observed that the Management had taken corrective steps to enhance diversity in recruitment, noting that the Institution has made commendable progress and as reported during examination, has reduced the representation of the dominant ethnic community from 49% to the current 31.1%. The Committee commended Management for these efforts, noting that the Institution is now compliant with Section 7(2) of the National Cohesion and Integration Act, Cap. 7N, which requires that no public establishment shall have more than one-third of its staff from the same ethnic community.
1268. The matter was adequately addressed and resolved.

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

Ms. Lucy Anampio, Principal, accompanied by;

- i. Mr. James Mugambi- Finance Officer
- ii. Ms. Margaret Siameto- Internal Auditor
- iii. Ms. Joseph Mureithi- Procurement Officer

appeared before the Committee to adduce evidence on the audited accounts of PC Kinyanjui Technical Training Institute, on 30<sup>th</sup> January 2026 and informed the Committee as follows:-

### **10.1.8 Unsupported Revenue from Exchange Transactions**

1269. The statement of financial performance and as disclosed in Note 2 to the financial statements reflects revenue from exchange transactions amount of Kshs.209,680,690 out of which Kshs.208,783,337 relate to rendering of services - tuition. However, Management did not provide ledgers to support the revenue and the manual reconciliations of revenue provided could not be relied on in the absence of accurate student numbers. Management attributed the absence of income ledgers to the accounting system challenges. However, other ledgers apart from the income were received for audit verification.

1270. In the circumstances, the accuracy and completeness of revenue from exchange transactions amount of Kshs.209,680,690 could not be confirmed.

#### **Management Response**

1271. The management submitted that it acknowledged the audit finding. However, expenditure ledgers were compiled manually since the system was still under installation stage. The manual income reconciliations are bulky due to the numerous revenue transaction. The management is committed to ensure that the Institute has an ERP system that can generate accurate and reliable financial statements and student management support.

#### **Committee Observation**

1272. The Committee observed that the Management has since implemented measures to acquire and utilize an ERP system capable of generating accurate and reliable financial statements as well as supporting student management.

1273. The matter was adequately addressed and therefore resolved.

#### **10.1.9 Contingency**

1274. The statement of financial position and as disclosed in Note 12(b) to the financial statements reflects a balance of Kshs 13,850,070 disclosed as a contingent asset. This contingent asset is in respect of misappropriation of funds by former staff by way of forgery of cheques on diverse dates between 17 June, 2010 and 27 February, 2014. A court judgement was made in open court at Kibera on 16 March 2023 and the former staff were charged with the offence of forgery.

1275. Although IPSAS 19 states that an entity shall not recognize a contingent asset but disclose it in the financial statements until when realizable, Management resolved to recognize the contingent asset as they continue to seek a solution from Government entities on how to recover the misappropriated funds. The realization of this asset is dependent on the occurrence or non-occurrence of future events that are not wholly within the control of the entity.

#### **Management Response**

1276. The management submitted that they acknowledged the audit finding and promises to treat the transaction as per IPSAS 19 in all subsequent financial reports.

#### **Committee Observation**

1277. The Committee observed that the reversal was duly effected in the 2024/2025 financial statements and appropriately disclosed in the notes, as verified by the Office of the Auditor General. The matter was therefore adequately addressed and therefore resolved.

### **10.1.10 The Enterprise Resource Planning (ERP) System**

1278. The statement of financial position reflects intangible assets balance of Kshs.2,362,679 which relates to the Institute's ERP system with a cost of Kshs.2,652,320 as at 30 June, 2023 as disclosed in Note 18 to the financial statements. However, review of the records revealed that the ERP system was installed in 2021/2022 financial year and the College continued to incur additional costs to maintain the system despite the following;
1279. The ERP system could not generate critical reports such as: -
- a) Income ledgers which limited audit ability to test the completeness and occurrence of revenue generated from students' fees of Kshs 208,783,337 as disclosed in Note 2a to the financial statements. However, the ERP system was able to generate the expenditure ledgers for audit review.
  - b) The ERP system could not generate the students' fee statements.
  - c) The ERP system could not generate accurate bank reconciliations.
1280. The system was not able to accurately determine the number of students enrolled in a specific year, making it difficult to accurately determine the revenue generated from new students, such as tuition fees, registration fees, activity fees, and development fees.
1281. Management had resorted to the manual preparation and generation of financial information and reports.
1282. Management attributed the above to the inability of the system provider to understand the requirements of the College to offer the required system support.
1283. In the circumstances, the ERP system cost may be impaired and the reliability of the ERP system to produce accurate and reliable financial reports could not be confirmed.

#### **Management Response**

1284. The management submitted that they acknowledged the audit finding. Nevertheless, the management in consultation with the Board of Governors, has procured a fully developed ERP system that provides accurate and reliable information about the Institute's status.

#### **Committee Observation**

1285. The Committee observed that the matter has been resolved by the acquisition of the new ERP system.

#### **Committee Recommendation**

1286. The Committee recommends that the Office of the Auditor General should undertake an evaluation of the newly acquired Enterprise Resource Planning (ERP) system to confirm its operational efficiency and reliability in supporting financial management and accountability and report during the next audit cycle.

#### **10.1.11 Lack of Ethnic Diversity in Employee Composition**

1287. Review of the employee records revealed that out of the fifty-three (53) staff, twenty-five (25) or 47% were from one ethnic community. This was contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, Cap.7N, which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.
1288. In the circumstances, Management was in breach of the law.

#### **Management Response**

1289. The management acknowledged the audit finding and is committed to ensure ethnic balance within the Institution. However, the Institute's ethnic bio data as at January 2026 shows great improvement in ethnic balance within the Institute.

#### **Committee Observation**

1290. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

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

#### **10.1.12 Unconfirmed Bank Balances**

1291. The statement of financial position reflects cash and cash equivalents balance of Kshs.10,274,208 as disclosed in Note 10 to the financial statements. Included in this balance were bank accounts with balances of Kshs.1,185,199 and Kshs.204,152, respectively whose bank statements as at 30 June, 2024 were not provided for audit review.
1292. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of kshs.10,274,208 could not be confirmed.

#### **Management Response**

1293. The management submitted that they acknowledged the Auditor General's findings. Nevertheless, the management has provided the bank statement in question.

#### **Committee Observation**

1294. The Committee observed the Certificate of bank balance was provided and reviewed by the Office of the Auditor General. However, Bank statements had not been not provided for verification.

#### **Committee Recommendation**

1295. The Committee recommends that the Office of the Auditor General should report on the correct position in the next audit cycle.

#### **10.1.13 Receivables from Exchange Transactions**

1296. The statement of financial position and as disclosed in Note 12(a) to the financial statements, reflects a balance of Kshs.69,35566,189 relating to the current portion of receivables from

exchange transactions, an increase of Kshs. 49,206,973 or 244% of the previous year's balance Kshs.20,148,216. Management did not provide any evidence of any efforts made to contain the high increase of the debts.

1297. In the circumstances, the recoverability of the receivables balance of Kshs 69,355,189 could not be confirmed.

#### **Management Response**

1298. The Management acknowledged the Auditor General's findings. However, the management has made tremendous efforts to collect debts.

#### **Committee Observation**

1299. The Committee observed that management had failed to recover the outstanding debts, thereby casting doubt on the recoverability of the receivables balance.

#### **Committee Recommendation**

1300. The Committee recommends that Management strengthens debt collection mechanisms and maintains proper documentation of recovery efforts to support the recoverability of receivables in future audits.

### **10.1.14 Inconsistencies in Inventory Valuation and Accounts Balances**

1301. The statement of financial position reflects inventories balance of Kshs.4,175,053 as reflected in Note 9 to the financial statements. However, this amount differs with the balances generated by the ERP system, which. The balance as per ERP system indicated that there was no movement of stock from the prior year's inventory balance of Kshs. 4,121,693 while whereas manual records showed changes in the stock levels due to new purchases, consumption, and re-orders. Further, balances in the corresponding Notes 8 (finance cost) and Note 14 (bus loan account) vary from the balances in the face of financial statements

1302. Additionally, some balance in the statement of cash flows and the statement of comparison of budget against actual amount differ from the balances in the statement of financial performance and have not been reconciled.

1303. In the circumstances, the accuracy and completeness of the inventories balance of Kshs. 4,175,053 financial statements balances inventory balance of Kshs 4,175,053 could not be confirmed.

1304. The statement of financial position reflects the property, plant and equipment balance of KShs.834,574,889.

#### **Management Response**

1305. The Management submitted that they agreed with the Auditor General's finding. However, the non-change in the inventory was as a result of a fixed figure in the system. The management, through consultation with the Board of Governors and the state department

for technical, vocational education and training (SDTVET), has purchased a new ERP system to provide accurate and reliable information.

***Committee Observation***

1306. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**10.1.15 Budgetary Control and Performance**

1307. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs. 307,471,868 and Kshs.315,111,310, respectively, resulting to an overfunding of Kshs.7,639,442 or 2% of the budget. Further, the institute spend Kshs.279,537,008 against the actual revenue of Kshs.315,111,310 resulting to underutilization of kshs.35,574,302 or 11% of revenue.

1308. The under-expenditure may have affected the planned activities and may have impacted negatively on service delivery by the institute.

**Management Response**

1309. The Management submitted that they concurred with the Auditor General's findings. However, the under-expenditure was a result of the disbursement of government capitation and HELB towards the year-end.

***Committee Observation***

1310. The Committee observed that under funding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

1311. 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***

1312. The Committee recommends that the Accounting Officer must strengthen the institutions 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.

1313. The Committee also recommends that the Ministry of Education, State Department for Vocational and Technical Training should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.

1314. Further, that the management should explores other income generating activities to supplement its income and reduce the dependence on government funding.

#### **10.1.16 Non-Submission of Bank Reconciliation Statements**

1315. Management did not submit bank reconciliation statements to the National Treasury with a copy to the Auditor-General during the year under review, contrary to section 90(1) of the Public Finance Management Regulations, 2015, which requires bank reconciliation statements to be submitted not later than the 10<sup>th</sup> of the subsequent month to the treasury with a copy to the Auditor-General.
1316. In the circumstances, Management was in breach of the law.

#### **Management Response**

1317. The Management acknowledged the Auditor General's findings. Nevertheless, the management commits to submit monthly bank reconciliations to the National Treasury as required by PFM Regulation in all subsequent months in subsequent years.

#### **Committee Observation**

1318. The Committee observed that the Accounting Officer did not submit monthly bank reconciliations for audit review contrary to section 90(1) of the Public Finance Management Regulations, 2015.

#### **Committee Recommendation**

1319. The Committee recommends that the Accounting Officer should at all times ensure compliance with the provisions of Regulation 90 (1) and (3) of the PFM (National Government) Regulations, 2015 by ensuring that bank accounts reconciliations are completed for each bank account held every month and appropriate action taken in case of any discrepancies.
1320. The Committee further recommends that the accounting officer should submit the monthly bank reconciliations to the Office of the Auditor General for review and reporting in the next audit cycle.

#### **10.1.17 Inefficiency of the ERP System and Impact on Financial Reporting**

1321. During the audit, it was noted that the Enterprise Resource Planning (ERP) system in use could not generate essential reports, such as a complete trial balance, bank reconciliations and all income ledgers, which are critical for accurate financial reporting. Further, it was observed that the system valued at Kshs.1,950,988 capitalized under intangible assets with a net book value (NBV) of Kshs.2,126,411 had been impaired, as there is no tangible value or benefit derived from the investment.
1322. In the circumstances, the reliability of the ERP system to produce accurate and reliable financial reports and value for money invested could not be confirmed.

#### **Management Response**

1323. The management acknowledged the audit finding. Nevertheless, the management, through consultation with the Board of Governors and the state department for technical, vocational

education and training (SDTVET), has purchased a new ERP system to provide accurate and reliable information about the Institute's status.

***Committee Observation***

1324. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**10.1.18 Lack of Land Ownership Documents**

1325. The statement of financial position as disclosed in Note 17 31 to the financial statements reflects property, plant and equipment balance of Kshs.852,877,950, which includes land valued at Kshs.320,000,000 on which the Institution sits. However, ownership records for the land were not provided for audit review.

1326. In the circumstances, ownership of land valued at Kshs.852,877,950 could not be confirmed.

**Management Response**

1327. The management submitted that they agree with the Auditor General's findings. Nevertheless, the management has initiated the process of acquisition of the institute's title deed through the parent ministry as shown by the attached documents.

***Committee Observations.***

1328. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

**10.1.19 Lack of an Imprest Register**

1329. During the year under review the Institution did not maintain an imprest register to track the imprests issued, dates of surrender and whether the imprests were surrendered.

1330. In the circumstances, it was not possible to confirm whether funds disbursed as imprest were utilized for the purposes for which they were issued and in accordance with financial regulations.

**Management Response**

1331. Management agrees with the Auditor General's findings. Nevertheless, management is committed to addressing the anomaly in the subsequent years.

***Committee Observation***

1332. The Committee observed that the Institution did not maintain an imprest register contrary to the provisions of the Regulation 93 of the Public Finance Management (National Government) Regulations, 2015 which require proper recording, accountability, and timely surrender of imprests.

### ***Committee Observation***

1333. The Committee recommends that the Accounting Officer should establish and maintain a comprehensive imprest register to accurately track all imprests issued and surrendered, and must also enforce strict accountability and ensure that all imprests are properly supported and surrendered in line with the provisions of Regulation 93 (5)(6) and (8) of the PFM (National Government) Regulations, 2015.

## **Audited statements for Financial Year 2024/2025 (Qualified Opinion)**

### **10.1.20 Inaccuracies in the financial statements**

1334. Review of the financial statements revealed unreconciled variances between the statement of cash flows and the statement of comparison of budget and actual amounts as analysed below;

<b>Components</b>	<b>Statement of Financial Performance (Kshs)</b>	<b>Statement of Comparison Budget and Actual Amounts (Kshs)</b>	<b>Variance (Kshs)</b>
Rendering of Services – from Students	194,506,166	251,412,461	(56,906,295)
Use of Goods and Services	135,295,859	179,794,347	44,498,488
Other income	2,133,600	0	2,133,600

### **Management Response**

1335. We acknowledge the Auditor General's findings. Nevertheless, the management has reconciled the variances between the statement of comparison of budget and actuals and the statement of financial performance.

### ***Committee Observation***

1336. The Committee observed that the matter was satisfactorily addressed as the financial statements were amended to reflect the correct position and verified by the Office of the Auditor General.

### **10.1.21 Inaccuracy in the Statement of Cash Flows**

1337. The statement of cash flows reflects cash generated from operations amount of Kshs 42,932,725 as disclosed in Note 25 to the financial statements. However, Note 25 to the financial statements reflects contributed assets and impairment amount of Kshs.30,141,199 and Ksh.60,877,763, respectively, which were not supported or explained. In the circumstances, the cash generated from operations amount of Kshs.42,932,725, could not be confirmed.

### **Management Response**

1338. The Management acknowledged the Auditor General's findings. Nevertheless, the contributed assets include the machines donated to the institution for practical training in the mechanical department and computers in the ICT department. Impairment is for various assets.

### **Committee Observation**

1339. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **10.1.22 Inaccuracies in the Property, Plant and Equipment**

1340. The statement of financial position reflects property, plant and equipment balance of KShs.834,574,889 as disclosed in Note to the financial statements includes land balance of kshs.320,000,000. However, the ownership documents and valuation for the land where the institute is domiciled were not provided for audit. Further, a re-computation of balances under Note 19 to the financial statements revealed a property, plant and equipment balance of kshs.837,777,208 resulting to an unreconciled variance of kshs.3,202,319. In addition, review of the asset's registers revealed that some assets were not tagged for ease of identification.

1341. In the circumstances, the accuracy, completeness, and ownership of the property, plant and equipment balance of kshs.834,574,889 could not be confirmed.

### **Management Response**

1342. The Management agreed with the Auditor General's findings. Nevertheless, the management submitted that they had initiated the process of acquisition of the institute's title deed through the parent ministry and is committed to addressing the variances in the asset's movement schedule in subsequent year.

1343. The management further submitted that the institute has a supplier for the asset valuation and tagging and they have been continually tagging the institute assets on annual basis with requisition raised in November 2024 for tagging of all the assets acquired by the institution in the calendar year ending 31st December 2024.

### **Committee Observation**

1344. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **10.1.23 Expenditure Incurred on Behalf of Kibra Technical and Vocational College**

1345. The statement of financial performance reflects use of goods and services amounting to Kshs. 195,949,519, which includes other expenses of Kshs. 87,428,230 as disclosed in Note 10 to the financial statements. However, included in the other expenses is an amount of Kshs. 13,210,590 relating to Kibra Technical and Vocational College. It was not clear why

the Institute included the amount in its financial statements when the College is a separate reporting entity.

1346. In the circumstances, the accuracy and completeness of the use of goods and services amount of Kshs. 193,804,154 could not be confirmed.

#### **Management Response**

1347. The Management acknowledges the Auditor General's findings. However, since PC Kinyanjui was the mentoring institution and all the monies for Kibra TVC were channelled through our Institution, we have been incurring the expenses on behalf of Kibra TVC since they did not have an appointed board of Governors in place, staff in the procurement department, and the finance department.

#### **Committee Observation**

1348. The Committee observed that all the monies were incurred in Kibra TVC through the institution as verified by the Auditor General thus the issue is resolved.

#### **10.1.24 Unsupported Cash and Cash Equivalents**

1349. The statement of financial position reflects cash and cash equivalents balance of Kshs.28,950,877 as disclosed in Note 16 to the financial statements. However, the cash books, bank statements and certificates of bank balances were not provided to support the following bank account balances;

<b>Description</b>	<b>Account Number</b>	<b>Amount (Kshs)</b>	<b>Remarks</b>
Co-operative Bank – Main	011Cap.7N1068500	7,000,522	Cash book not provided.
Equity Bank	0630272454874	1,857,906	Cash book not provided.

1350. In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.28,950,877 could not be confirmed.

#### **Management Response**

1351. We acknowledge the Auditor General's findings. Nevertheless, the management has since provided the cash books for both Accounts.

#### **Committee Observation**

1352. The Committee observed that the cash books had not been verified by the Office of the Auditor General casting doubts on the accuracy and completeness of the account balance.

#### **Committee Recommendation**

1353. The Committee further recommends that the accounting officer should submit the cashbooks to the Office of the Auditor General for review and reporting in the next audit cycle.

#### **10.1.25 Unsupported Trade and Other Payables**

1354. The statement of financial position reflects trade and other payables balance of Kshs.57,872,564 as disclosed in Note 21 to the financial statements. The balance includes student prepayments and Kibra Technical and Vocational College amounts of Kshs.19,986,958 and Kshs.20,498,677 respectively which have not been supported with respective ledgers.
1355. In the circumstances, the accuracy and completeness of trade and other payables balance of Ksh.57,872,564 could not be confirmed.

#### **Management Response**

1356. We agree with the Auditor General's findings. However, the management has since prepared supporting ledgers for the trade and other payables.

#### **Committee Observation**

1357. The Committee observed that the respective ledgers were provided and verified by the Office of the Auditor General and the matter was adequately addressed and resolved..

#### **10.1.26 Budgetary Control and Performance**

1358. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.365,670,811 and Kshs.301,930,206 respectively, resulting to an underfunding of Kshs.63,740,605 or 17% of the budget. Similarly, the statement reflects actual revenue and actual expenditure on comparable basis of Kshs.301,930,206 and Kshs.267,827,346 respectively, resulting to an under-utilization of Kshs.34,102,860 or 11% of the actual revenue.
1359. The underfunding, under collection and underperformance affected the planned activities and may have impacted negatively on services delivery to the stakeholders.

#### **Management Response**

1360. The Management concurred with the Auditor General's findings. However, the underfunding was as a result of delayed disbursement of government capitation and HELB which resulted to underutilization of funds.

#### **Committee Observation**

1361. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

#### **10.1.27 Non-Submission of Bank Reconciliation Statements**

1362. The statement of financial position reflects cash and cash equivalents balance of Kshs.40,456,843 as disclosed in Note 16 to the financial statements. However, Management did not submit bank reconciliation statements to The National Treasury with a copy to the

Auditor-General by 10th of the subsequent month contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.

1363. In the circumstances, Management was in breach of the law.

**Management Response**

1364. The Management acknowledge the Auditor General's findings. Nevertheless, the management commits to submit monthly bank reconciliations to the National treasury as required by Regulation 90 of the Public Finance (National Government) Regulation in all subsequent months in subsequent year.

**Committee Observation**

1365. The Committee observed that this matter was recurring from the previous financial year and reiterates its recommendations.

**10.1.28 Non-Compliance with Affirmative Action on Ethnicity and Regional Distribution**

1366. Review of personnel records and payroll database provided for audit revealed that the Institute has employed forty (40) members of staff on contract and permanent basis. Out of the forty (40) employees, 17 (seventeen) or forty-two percent (42%) were from the same ethnic community contrary to Sections 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

1367. In the circumstances, Management was in breach of the law.

**Management Response**

1368. The Management acknowledged the Auditor Generals findings. However, the management has made tremendous efforts to ensure compliance with the National Cohesion and Integration Act. An attached schedule provided to the committee shows the current statuses of the Institution staff distribution for different ethnic groups which comprises of 40 members of staff employed by the Board of Governors.

**Committee Observation**

1369. The Committee observed that this matter was recurring from the previous financial years and reiterates its recommendations.

**10.1.29 Non-Compliance with Employment Quotas for Persons with Disability**

1370. Review of payroll data provided for audit revealed that out of the forty (40) employees on contract and permanent basis, there was no representation of persons with disability. This is contrary to Section 21(2)(a) of the Persons with Disabilities Act, 2025 which require an employer with at least twenty employees to reserve at least five percent direct employment opportunities for persons with disabilities to secure employment.

1371. In the circumstances, Management was in breach of the law.

### **Management Response**

1372. The Management concurred with the audit finding. However, the management has made and is still making efforts to ensure that the institute is inclusive, as evidenced by the advertisement placed for open opportunities and also by ensuring that the institute's facilities are friendly to persons with physical disabilities.

### ***Committee Observation***

1373. The Committee observed that out of the 40 employees, none was a person with disability which is contrary to the provisions of the Persons with Disabilities Act, 2025 and the Constitution of Kenya, 2010 which require that at least five percent of public service positions be reserved for persons with disabilities. The absence of such representation indicates non-compliance with the legal requirement on inclusivity.

### ***Committee Recommendation***

1374. The Committee recommends that the Accounting Officer should take deliberate and immediate measures to comply with the legal requirement by ensuring that future recruitments ensure persons with disabilities are adequately represented in the Institution's workforce in line with the law. Management should also put in place clear recruitment and inclusion policies to ensure compliance.

### **10.1.30 Understaffing Against the Approved Staff Establishment**

1375. Review of the Institute's staff records provided for audit revealed that the recommended and approved number of staff members employed on permanent basis was fifty (50) in various departments within the Institute. However, the actual number of staff members in-positions were forty (40), resulting in understaffing of ten (10) or twenty percent (20%) staff.

1376. In the circumstances, internal controls on staffing were not effective and this may hinder effective delivery of services by the Institute.

### **Management Response**

1377. The Management agrees with the Auditor General's findings. However, due to financial constraints, low disbursements of funds by the government, and fluctuating student numbers. The management has been bridging the gap through engagement of interns and attached on a need basis to ensure effective delivery of services in the institution.

### ***Committee Observation***

1378. The Committee observed that the Institute was operating below its approved staffing establishment, with only forty (40) permanent staff in post against the recommended fifty (50). This represents an understaffing level of twenty percent (20%), which undermines the effectiveness of internal controls on staffing and may hinder efficient delivery of services.

### ***Committee Recommendation***

1379. The Committee recommends that the accounting officer should engage the National Treasury and the State Department for Vocational and Technical Training to secure adequate funding for recruitment to the approved establishment.
1380. In the interim, the management should develop a structured framework for engaging interns and attachments, ensuring compliance with relevant laws and safeguarding service delivery standards.

### **10.1.31 Inefficiency of the ERP System and Impact on Financial Reporting**

1381. The statement of financial position reflects intangible assets with a net book value of Kshs.2,408,770 as disclosed in Note 20 to the financial statements which represents an ERP system acquired at a cost of Kshs.3,202,320. However, the ERP system is not capable of generating essential reports, such as a trial balance, bank reconciliation statements and income ledgers, which are critical for accurate financial reporting.
1382. In the circumstances, the reliability of the ERP System to produce accurate and reliable financial reports and value for money invested could not be confirmed.

### **Management Response**

1383. The management acknowledged the audit finding. Nevertheless, the management, through consultation with the Board of Governors and the state department for technical, vocational education and training (SDTVET), has purchased a new ERP system to provide accurate and reliable information about the Institutions status.

### ***Committee Observation***

1384. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

### **10.1.32 Lack of Administrative Control Over ERP System**


1385. The Institute procured the Campus Cura ERP system from System One, which covered several modules, including Finance, Procurement, Registry, and Student Accommodation modules. However, the vendor did not surrender the administrator credentials for the database to the Institute. Further, the Institute did not have direct administrative control over the ERP database and relied entirely on the vendor for system administration, updates, modifications, and data backup.
1386. The lack of access restricts the Institute's ability to independently manage its data, conduct system customizations, or implement security measures without vendor intervention and further exposes the Institute to risks of unauthorized access to data, data manipulation, and service disruption in case of contractual disputes.


**Management Response**

1387. The Management agreed with the audit finding. However, the management has secured administrative control over the ERP database, data backup, and administrative rights since the new ERP system server is domiciled within the institution.

**Committee Observation**

1388. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation

SIGNED.......... DATE.....<sup>TH</sup> 9 APRIL 2026.....  
**HON. WANAMI WAMBOKA, CBS, M.P.**  
**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND**  
**EDUCATION**

 <b>THE NATIONAL ASSEMBLY</b> <b>PAPERS LAID</b>	
DATE:	09 APR 2026
	DAY: Tuesday
TABLED BY:	VICE Chair Public Investment Committee Governance and Education
CLERK OF THE TABLE:	Kwaku Tettei

THE NATIONAL ASSEMBLY

13TH PARLIAMENT –FIFTH SESSION (2026)

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER


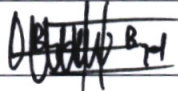
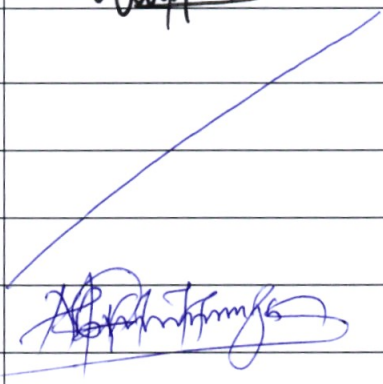
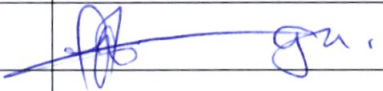
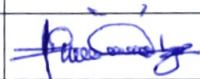

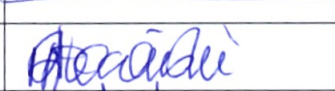

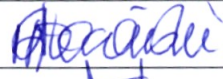

Date : 8<sup>TH</sup> APRIL, 2026

Venue : COMMITTEE ROOM 26, BUNGLE TOWERS

Time Started: 3:00 pm

Time Ended: 4:00 pm

AGENDA: consideration of the 13<sup>th</sup> Report on the Examination of the Reports of the Auditor General on financial statements & state corporations (PVC+TMS)

	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	

**MINUTES OF THE 25<sup>TH</sup> SITTING OF THE PUBLIC INVESTMENTS COMMITTEE  
ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY, 8<sup>TH</sup> APRIL, 2026  
COMMITTEE ROOM 26 5<sup>TH</sup> FLOOR, BUNGE TOWER AT 3:00 PM**

---

---

**PRESENT**

- |  |   |                          |
|--|---|--------------------------|
| 1. Hon. Wanami Wamboka, CBS, MP                | - | <b>Chairperson</b>       |
| 2. Hon. Boyd Were Ong'ondo                     | - | <b>Vice- Chairperson</b> |
| 3. Hon. Alfa Ondieki Miruka, CBS, MP           |   |                          |
| 4. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP |   |                          |
| 5. Hon. Rebecca Tonkei Noonaishi, MP           |   |                          |
| 6. Hon. Joseph Tonui Kipkosgei, MP             |   |                          |
| 7. Hon. Chiforomodo Mangale Munga, MP          |   |                          |
| 8. Hon. Thuddeus Nzambia Kithua, MP            |   |                          |

**APOLOGIES.**

1. Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP
2. Hon. Mark Muriithi Mwenje, CBS, MP
3. Hon. Bonaya Mumina Gollo, MP
4. Hon. Maurice Kakai Bisau, MP
5. Hon. Wamacukuru Githua Kamau, CBS, MP
6. Hon. Daniel Karitho Kiili, MP
7. Hon. Moses Kirima Nguchine, MP

**IN ATTENDANCE**

**COMMITTEE SECRETARIAT**

- |                       |   |                     |
|-----------------------|---|---------------------|
| 1. Ms. Ruth Mwihaki   | - | Clerk Assistant I   |
| 2. Ms. Winny Awino    | - | Clerk Assistant III |
| 3. Mr. Enock Manwa    | - | Clerk Assistant III |
| 4. Ms. Noel Amutabi   | - | Legal Counsel II    |
| 5. Ms. Eunice Liavuli | - | Research Officer    |
| 6. Mr. Stephen Otieno | - | Sergeant at Arms    |

**OFFICE OF THE AUDITOR GENERAL**

- |                     |   |                                   |
|---------------------|---|-----------------------------------|
| 1. Mr. Felix Itonge | - | Principal Auditor/Liaison Officer |
|---------------------|---|-----------------------------------|

**MIN.NO.NA/DAAGPC/PIC-G&E/2026/102: PRELIMINARIES**

The Chairperson called the meeting to order at 03:20 pm followed by a word of prayer from the Chairperson and thereafter a round of introduction. The agenda was confirmed as listed hereunder on the proposal of Hon. Chiforomodo Mangale Munga, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

**AGENDA:**

1. Prayers;
2. Preliminaries/Introduction
  1. Adoption of the Agenda;
  2. Confirmation of minutes of previous sittings and matters Arising
3. **Consideration of the Thirteenth report on the examination of the reports of the Auditor General on financial statements of various Technical and Vocational Colleges (TVCs) and Technical Training Institutes (TTIs) for the Financial Year 2021/2022 to 2024/2025**
4. Any Other Business; and
5. Adjournment.

**MIN.NO. NA/DAAGPC/PIC-G& E/2026/103: CONFIRMATION OF MINUTES**

Confirmation of the Minutes of the previous meeting was deferred to the next sitting.

**MIN.NO. NA/DAAGPC/PIC-G&E/2026/104: CONSIDERATION OF THE THIRTEENTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATIONS (TVCs and TTIs)**

The Committee considered the report on the examination by the Auditor General for FY 2021/2022-2024/2025 for the following agencies:

1. Likoni Technical and Vocational College;
2. Riragia Technical and Vocational College;
3. Taita Taveta Technical and Vocational College;
4. Kakrao Technical and Vocational College;
5. Kericho Township Technical and Vocational College;
6. PC Kinyanjui Technical and Training College;
7. Mathenge Technical Training Institute;
8. Nkabune Technical Training Institute;
9. Laisamis Technical and Training Institute; and
10. Kisiwa Technical and Training Institute.

## **Committee general observations and recommendations**

In consideration of reports of the various state agencies, the Committee encountered cross-cutting and at times, persistent matters that informed the following general observations and recommendations. Specific observations and recommendations are, however, made in relation to the respective agency.

### **1. Understaffing in the TVET institutions**

The Committee observed that the majority of institutions in the region are TVETs and are significantly understaffed. Many of the issues in the financial statements stem from the fact that these institutions lack essential personnel in critical departments such as finance. In some cases, the situation is so severe that institutions rely on interns to prepare their financial statements, which is contrary to the **Accountants Act, Cap.531**. This Act establishes the **Institute of Certified Public Accountants of Kenya (ICPAK)** as the regulatory body overseeing the profession. According to ICPAK regulations and guidelines, financial statements, particularly those that are audited, must be signed by a **Certified Public Accountant (CPA)** who is a member in good standing with the Institute.

The Committee recommended Government should allocate adequate resources to enable TVET institutions to recruit and retain qualified personnel. Furthermore, institutions must adhere to the Accountants Act, Cap.531, by hiring Certified Public Accountants (CPAs) to oversee financial reporting. To enhance financial reporting standards, the Ministry of Education and ICPAK should establish capacity-building programs and financial management training for existing staff.

### **2. Poor accounting standards and the general incapacity of some accounting officers**

The Committee observed that, due to a lack of prior exposure to the audit process and subsequent parliamentary review, some accounting officers were either unaware of or failed to comply with various provisions of the **Public Finance Management (PFM) Act, Cap.412A** and the **Public Audit Act, Cap.412B**. Audit queries dating back to **FY 2018/19** remained unaddressed by certain agencies, which only took action after being summoned by the Committee.

To address these issues, the **National Treasury** and the **Office of the Auditor-General** should continue conducting annual sensitization and capacity-building programs for all accounting officers and finance staff in **State Corporations**, to ensure compliance with audit requirements and adherence to **International Public Sector Accounting Standards (IPSAS)**.

### **3. Late submission of supporting documentation**

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 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

Moreover, the Committee exercised a degree of leniency towards certain institutions by affording them an opportunity to submit supporting documentation that remained in their possession but had not been presented to the Office of the Auditor General, even after the conclusion of the audit cycle. However, these institutions failed to comply with the committee's directive.

#### **4. Unsecured/ untitled land holdings**

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. In some cases, institutions were occupying land without formal titles, making it difficult to undertake development projects.

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.

The Government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

#### **5. Failure to adhere to gender, ethnicity and regional balance**

Some institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from Accounting Officers that the lack of diversity was prevalent in the lower cadres, 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 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. in two (2) years. Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

**The Committee adopted the report having been proposed by the Hon. Thuddeus Nzambia Kithua, MP. and Seconded by Hon. Chiforomodo Mangale Munga, MP.**

MIN.NO. NA/DAAGPC/PIC-G & E/2026/105: ADJOURNMENT/ DATE OF NEXT

MEETING

There being no other business the meeting was adjourned at 04:00 pm. The next meeting will be on notice.



SIGNED: ..... DATE: .....

9<sup>TH</sup> APRIL 2026

**Hon. Wanami Wamboka, CBS, MP (Chairperson)**