

PARLIAMENT
OF KENYA
LIBRARY



**AUDITOR-GENERAL'S REPORT
ON PUBLIC UNIVERSITIES
2021/2022**



VISION

Making a difference in the lives and livelihoods of the Kenyan people



MISSION

Audit services that impact on effective and sustainable service delivery



OUR CORE VALUES

Integrity • Credibility • Relevance •
Accountability • Independence

REPORT

OF

THE AUDITOR-GENERAL

ON

PUBLIC UNIVERSITIES

FOR

THE YEAR 2021/2022



Table of Contents

Page

Foreword by the Auditor-General.....	iii
Introduction.....	vii
Constitutional Mandate of the Auditor-General.....	vii
Responsibilities of Management and those Charged with Governance.....	vii
Auditor-General's Responsibility.....	viii
Reporting Structure.....	viii
Audit Opinions.....	ix
University of Nairobi.....	1
Moi University.....	10
Kenyatta University.....	17
Egerton University.....	25
Jomo Kenyatta University of Agriculture and Technology.....	29
Maseno University.....	42
Chuka University.....	45
Dedan Kimathi University of Technology.....	46
Kisii University.....	49
Masinde Muliro University of Science and Technology.....	52
Pwani University.....	55
The Technical University of Kenya.....	56
Technical University of Mombasa.....	64
Maasai Mara University.....	67
Meru University of Science and Technology.....	83
Multimedia University of Kenya.....	86
South Eastern Kenya University.....	91
Jaramogi Oginga Odinga University of Science and Technology.....	94
Laikipia University.....	96
University of Kabianga.....	99
Karatina University.....	102
University of Eldoret.....	104
University of Embu.....	107
Kibabii University.....	108
Kirinyaga University.....	111
Machakos University.....	112

Murang'a University of Technology	116
Rongo University	119
Taita Taveta University	123
The Co-operative University of Kenya.....	126
Garissa University.....	128
Alupe University College.....	133
Friends University College Kaimosi.....	134
Tom Mboya University College	138
Turkana University College.....	140
Bomet University College.....	142
Tharaka University College.....	145
Koitaleel Samoei University College	148
Mama Ngina University College.....	156

Foreword by the Auditor-General

This report, is a compilation of the audit reports of Universities for the year ended 30 June, 2022.

The Auditor-General is mandated by the Constitution of Kenya, 2010, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State and County Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

Education is recognized as a public good, a fundamental right and is a basis for guaranteeing the realization of other rights. Article 43(1)(f) of the Constitution of Kenya, recognizes the right of every individual to access education. Access to quality education and appropriate facilities has been identified as one of the main drivers of societal progress and economic development. It is essential for peace, tolerance, human fulfilment and sustainable development. It is key to achieving full employment and poverty eradication. Indeed, Target 4.3 of United Nations' Sustainable Development Goal 4 aims to ensure that by 2030, there is equal access for all women and men to affordable and quality technical, vocational and tertiary education.

In Kenya, universities play a crucial role in enhancing access, quality, and sustainability of education services in Kenya. In addition to imparting job skills, they play a vital role in stimulating critical and creative thinking that facilitates development of solutions for local and global problems in all fields of sustainable development. They also help in generating and disseminating knowledge vital for social, cultural, ecological and economic development. They support lifelong learning.

This report has identified a number of cross-cutting issues which require urgent attention, as they greatly impact on the ability of universities to effectively provide quality education to students.

As previously reported, an effective mechanism for follow up on implementation of audit recommendations is lacking and as such most audit queries recur in subsequent audit reports due to lack of requisite action. The Public Finance Management Act, 2012 does not provide sanctions to a National Government entity that fails to address issues raised by the Auditor-General, to the satisfaction of the Auditor-General.

However, despite numerous reports indicating lack of accountability and documents to support the legality and effectiveness in the use of public resources, the lack of the requisite sanctions and consequences has resulted to some Accounting Officers not adequately accounting for the management and use of public resources with impunity. Lack of action and sanctions has also led to fiscal indiscipline including misallocations, wastage of resources, lack of value for money in implementation of projects and loss of

public funds, thereby impacting negatively on development programmes. This in turn threatens economic growth and sustainability of service delivery to citizens. There are instances where some Accounting Officers are in breach of Section 62 of the Public Audit Act, 2015 by failing to adequately prepare for audit which is exhibited by numerous inaccuracies in financial statements presented for audit, lack of requisite supporting documents, several revisions of financial statements and, in some cases, reluctance to cooperate with the auditors during the audit process.

To support timely implementation of audit recommendations, we have partnered with Parliament and the National Treasury in operationalizing our Framework for Tracking, Follow-up and Monitoring Implementation of Audit Recommendations. The Framework is anchored on the Constitutional principle of accountability, Article 229(8) of the Constitution, Section 31(1), 31(3) and 53(1) of the Public Audit Act, 2015. This will be in addition to other Government initiatives to enhance accountability of public institutions.

The Office of the Auditor-General has been continuously improving on the effectiveness and quality of the audit process to ensure that the results of audit and the recommendations thereof are credible, relevant, reliable and value adding. This is geared towards influencing improved decision making and positive impact on the lives and livelihoods of citizens and other stakeholders. Provision of quality and effective audit services and confirmation of the lawfulness and effectiveness in programme implementation requires comprehensive scrutiny and evaluation of supporting documents. Most critical is the physical confirmation of the existence and utilization of projects or programmes implemented throughout the country. To achieve this, therefore, requires an independent and well-resourced audit Office with guaranteed adequate funding to enable efficient, effective and timely execution of the audit cycle as well as retention of optimal staffing to ensure continuous, quality and sustainable audit operations.

I continue to advocate for changes in the Public Finance Management Act, 2012 with regard to timelines for submission of financial statements to the Auditor General. Article 229(7) of the Constitution requires the Auditor-General to audit and submit reports to Parliament or the relevant County Assemblies within six (6) months after the end of the financial year. However, Sections 23(1), 24(10)(b), 68(2)(k), 81(4), 82(3), 82(4), 84(3), 115(1), 116(7)(b), 149(2)(k), 164(4), 165(3) and 167(3) of the Public Finance Management Act, 2012, reduces the timeline to three (3) months by giving entities leeway up to the end of September to prepare and submit financial statements for audit. This reduces the duration for audit and reporting from six (6) months given by the Constitution to three (3) months. This has been adversely affecting the timelines for reporting, leading to backlogs and affecting the efficiency and effectiveness for oversight by Parliament and the County Assemblies.

The Office continues to seek financial independence and support from Parliament and The Executive through The National Treasury for enhancement of resources to enable it build technical capacity, expand its presence in the counties, widen the scope and

comprehensiveness of audit and motivate its staff. I continue to devolve my services closer to the people through establishment of regional offices and construction of office premises to accommodate my staff in order to address the audit needs at the grassroots level. During the year under review, I established Isiolo and Kitale Regional Offices. I have so far constructed regional offices in Garissa, Kakamega and Eldoret, while construction works in Embu is almost complete. Plans for construction of our Headquarters in Nairobi, which is currently at the design stage, has been delayed by lack of funding. However, the Office continues to make appeals to Parliament and The National Treasury for adequate funds to enable us perform our functions and achieve our mandate in enhancing accountability across government, both at the national and county levels, and in all other entities funded from public funds.

The audit scope has been expanding over the years due to the expansion of government programs to ensure sustainable development and delivery of continuous and quality services to the citizens. This has led to growth in the national budget and formation of additional entities that I am required to audit and report on. All the over nine thousand (9,000) Public Secondary Schools were from 30 June, 2022 required to prepare and submit financial statements to the Auditor-General for audit and quite a number have complied. In addition, I am required to audit and report on financial statements for all the three hundred and fifty-eight (358) Level 4 Hospitals and fourteen (14) Level 5 Hospitals separately. In the current financial year, I am also required to audit a total of two hundred and eighteen (218) Technical and Vocational Education and Training (TVET) Institutions and the number could increase as we are currently undertaking an evaluation exercise with the State Department for Technical, Vocational Education and Training to identify all institutions funded by the Exchequer including the Community Vocational Training Institutions that are estimated to be over one thousand and two hundred (1,200) Institutions. In addition, new projects and funds have been created that require timely oversight.

I wish to sincerely thank the entire staff of the Office of the Auditor-General for their commitment, passion and professionalism in carrying out their duties despite the challenges posed by lack of adequate funds. Special appreciation goes to the team that prepared this Consolidated Universities Book.

I wish to appreciate my clients or auditees for the cooperation they accorded my staff during the audit.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 April, 2024

Introduction

Constitutional Mandate of the Auditor-General

The Auditor-General is mandated by the Constitution of Kenya, under Article 229, to audit and report on the use of public resources by all entities funded from public funds. These entities include; the National Government, County Governments, the Judiciary, Parliament, Statutory Bodies/State Corporations, Commissions, Independent Offices, Public Debt, Political Parties funded from public funds, other Government agencies and any other entity funded from public funds. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to audit and submit the audit reports of the public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General, is also required, under Article 229 (6) to assess and confirm whether the public entities have utilised the public resources entrusted to them lawfully and in an effective way.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and, to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), as prescribed by the Public Sector Accounting Standards Board (PSASB), and for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Management is also responsible for maintaining an effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for the assessment of the effectiveness of internal control, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements, are in compliance with the law and other relevant or applicable authorities, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how each Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

In addition, Article 229(6) of the Constitution requires me to express a conclusion on whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the law and other authorities that govern them, and that public resources are applied in an effective way. I also consider the entities' control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems, in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

I am independent in accordance with Article 249(2) of the Constitution of Kenya and ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of public entities in the Republic of Kenya.

Reporting Structure

The reporting structure of my report address the reporting requirements of Article 229(6) of the Constitution of Kenya, which requires that an audit report shall confirm whether or not public resources have been applied lawfully and in an effective way. Section 7(1) (a) of the Public Audit Act, 2015 also requires that I provide assurance on the effectiveness of internal controls, risk management and overall governance.

In addition, the International Standards of Supreme Audit Institutions (ISSAIs), require the incorporation of Key Audit Matters in the report on the financial statements, which are those matters that I determine in my professional judgment, are of most significance in the audit of the financial statements as a whole, for the year under review.

In order to address these requirements, my audit reports contain the following:

- i. **Report on Financial Statements**, in which I give an audit opinion on whether the financial statements present fairly, in all material respects the financial position and performance of the entity.
- ii. **Report on Lawfulness and Effectiveness in Use of Public Resources**, in which I give a conclusion on whether or not public resources have been applied lawfully and in an effective way.

- iii. **Report on Effectiveness of Internal Controls, Risk Management and Governance**, in which I give a conclusion on whether internal controls, risk management and overall governance were effective.

Audit Opinions

I have expressed different types of audit opinions based on the following criteria:

- i. **Unmodified Opinion**

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements present fairly, in all material respects, the operations of the entity. The financial statements with Unmodified Opinion are listed in **Appendix A**.

- ii. **Qualified Opinion**

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent. The financial statements with Qualified Opinion are listed in **Appendix B**.

- iii. **Adverse Opinion**

The financial statements exhibit significant misstatements with the underlying accounting records. There exists significant disagreement(s) between the financial statements and the underlying books of accounts and/or standards. These problems are widespread, persistent and require considerable interventions by the management to rectify. The financial statements with Adverse Opinion are listed in **Appendix C**.

The key findings noted during the audit of the financial statements for the year ended 30 June, 2022 are highlighted in the ensuing pages.

UNIVERSITY OF NAIROBI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Material Uncertainty in Relation to Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.2,103,465,000 compared to a deficit of Kshs.3,110,473,000 reported in the previous financial year. This increased the accumulated deficit to Kshs.8,814,666,000 from Kshs.6,753,856,000 reported in the previous year. Further, the statement of financial position reflects current liabilities amounting to Kshs.13,785,987,000 and current assets amounting to Kshs.5,170,219,000 resulting to a negative working capital of Kshs.8,615,768,000. The University is, therefore, technically insolvent and is unable to meet its financial obligations as and when they fall due.

Further, Note 33 to the financial statements reflects statutory payables amounting to Kshs.10,566,627,000 which the University had not remitted as at 30 June, 2022, an increase of Kshs.856,741,000 from the balance of Kshs.9,709,886,000 that was outstanding as at 30 June, 2021. The unremitted statutory deductions totalling Kshs.10,566,627,000 includes taxes to Kenya Revenue Authority of Kshs.5,012,865,000 and pensions contributions of Kshs.5,533,486,000.

In the circumstances, the continued existence of the University is dependent on continued receipt of financial assistance from the Government, donors and creditors.

2. Personnel Cost

2.1 Unremitted Payroll Deductions

The statement of financial performance reflects Kshs.9,369,906,000 in respect of personnel cost as disclosed in Note 13 to the financial statements. Included in this amount is basic pay of Kshs.4,780,730,000, out of which amounts of Kshs.1,498,868,818 and Kshs.50,378,210 in respect of Pension and PAYE respectively remained unremitted while Note 33 to the financial statement reflects cumulatively, amounts of Kshs.5,533,486,000 and Kshs.5,012,865,000 in respect of unremitted Pension and PAYE respectively. The amounts attract non-remittance penalties which have not been factored in these financial statements.

In the circumstances, the completeness and accuracy of the operating results and the liabilities could not be confirmed.

2.2 Unsupported Staff Gratuity Expense

Statement of financial performance and Note 13 to the financial statements reflect an amount of Kshs.182,700,000 relating to staff gratuity expense. Analysis of the monthly payrolls revealed that staff gratuity expense amounting to Kshs.375,704,864 was

processed through the payroll, resulting to a variance of Kshs.193,004,864 which was not explained or reconciled.

Further, the amount of staff gratuity expense reflected in the trial balance is Kshs.202,483,178, being the net change between debit provision for gratuity expense of Kshs.182,699,778 and credit balance of Kshs.385,182,956 for provision—staff gratuities which does not tally with the amount reported in the financial statements.

In the circumstances, the accuracy and completeness of staff gratuity expense of Kshs.182,699,778 could not be confirmed.

3. Loss Making Income Generating Units (IGUs)

The statement of financial position reflects net funds from IGUs and University of Nairobi Enterprises and Services (UNES) amounting to Kshs.(781,502,000) as disclosed under Note 41 to the financial statements. IGUs based in UNES Ltd and UoN Faculty of Engineering continued to make losses as indicated below: -

Income Generating Units (IGU)	Income (Kshs.)	Expenditure (Kshs.)	Deficit (Kshs.)
Faculty of Engineering	18,453,000	25,263,000	6,810,000
Diagnostic Radiology	3,600,000	4,673,000	1,074,000
Eye Centre	4,693,000	6,673,000	1,980,000
Dental School	3,949,000	5,629,000	1,680,000
UNES Ltd IGS and Expenses	869,705,000	892,150,000	22,445,000

No explanation was provided on the steps taken to improve the financial performance of the loss making IGUs. There was also no evidence that Management has undertaken detailed evaluation of these loss-making units with a view to making a continue or discontinue decision. Further, the financial statements for UNES reflect a net loss of Kshs.8,474,986 for the year ended 30 June, 2022 compared with the reflected loss of Kshs.22,445,000. The reconciliation between the two amounts was not provided.

In the circumstances, the accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

4. Property, Plant and Equipment

4.1 Lack of Ownership Documents

As previously reported, property, plant and equipment net book balance of Kshs.207,502,368,000 reflected in the statement of financial position and as disclosed in Note 28 to the financial statements includes land valued at Kshs.186,447,265,000. This land includes a parcel of land measuring 62 acres valued at Kshs.165,621,835 at Kenya Science Campus, land in Upper Kabete measuring 15.9 acres valued at Kshs.2,321,115,000 and a parcel at Kikuyu Campus measuring 30 acres valued at Kshs.1,391,113,000, all totalling Kshs.3,877,849,835, whose ownership documents were not provided for audit verification.

In the circumstances, the accuracy and ownership status of property, plant and equipment balance of Kshs.207,502,368,000 could not be confirmed.

4.2 Stalled Student Accommodation Hostels at Lower Kabete Campus

As previously reported, the project for construction of a students' accommodation hostel comprising 500-bed hostel, kitchen and dining, and a common room at Lower Kabete Campus undertaken by a contractor in 1990 stalled in 1992 after the Government budgetary allocation ceased. The initial contract was mutually terminated in 2000. At the time, the University owed the contractor a balance of Kshs.70,000,000. The contractor sued the University claiming the outstanding payment of Kshs.70,000,000 inclusive of interest and costs. The University has since paid the contractor.

The University Management indicated that they had requested for funding amounting to Kshs.450,000,000 to finance completion of the stalled Project. Audit inspection carried out on the project in November, 2022 revealed that the building was deteriorating due to roof leakages, termites, visible cracks in the columns and beams and chemical and physical damage on the stalled building. Completion of the hostels would provide secure accommodation for university students who are currently seeking accommodation in the surrounding areas.

In the circumstances, value for money has not been obtained as the project has not been completed and put to the intended use.

4.3 Delayed Construction of School of Pharmacy

As previously reported, on 1 October, 2010, the University entered into a contract with a construction company for the construction of the proposed School of Pharmacy Building at the College of Health Services at a cost of Kshs.152,903,393.

As per the Internal Audit report of 12 April, 2018, the Project was estimated to take a period of ninety-seven (97) weeks and was expected to be completed by August, 2012. The report further revealed that the construction had been carried out on the basement, ground and first floors and that the building was 90% complete. However, the building could not be occupied as the sewerage system had not been connected due to lack of an appropriate way leave. The completion of the construction works has been delayed by eight (8) years.

Available information indicates that the sewer has since been connected to the Nairobi County's main sewer line following agreement with the Nairobi Hospice Management to have it pass through their plot. However, a site visit of the project in November, 2022 revealed that the basement and car park were flooded, with water entering through vulnerable points such as walls, floors, foundation cracks, windows and clogged rain gutters. If the above observations are not addressed, water infiltration will deteriorate the integrity of the structure. Although, the Project Architect issued a certificate of practical completion in 2017 for the works awarded and successfully completed, the building has not been occupied.

In the circumstances, value for money may not be obtained if the project is not completed and put to the intended use.

4.4 Unsupported Motor Vehicles Value

Note 28 to the financial statements reflects total cost of property, plant and equipment of Kshs.213,818,857,000 as at 30 June, 2022, which includes Kshs.799,244,000 in respect of motor vehicles. Available information indicates that the University revalued its motor vehicles to a new value of Kshs.204,700,000. However, the revaluation report indicating who valued the vehicles, how the valuer was identified, and the actual value of each motor vehicle was not provided for verification.

In the circumstances, the completeness and accuracy of the motor vehicle value of Kshs.799,244,000 could not be confirmed.

4.5 Work-In-Progress (WIP)

Note 28 to the financial statements reflects property, plant and equipment net book value of Kshs.207,502,368 as at 30 June, 2022. The balance includes work-in-progress (WIP) totalling to Kshs.254,798,000. Documents provided for audit verification revealed the following anomalies: -

4.5.1 Unsupported Work-In-Progress Brought Forward Balance

Examination of documents supporting the brought forward balance of Kshs.258,500,000 revealed that projects valued at Kshs.11,559,692 as at 30 June, 2021 were not supported with payment certificates, procurement documents and the Projects implementation status reports.

4.5.2 Over Payment for Non-Working Borehole

The University awarded a tender to Kenya Water Institute on 12 November, 2019 for drilling and test pumping Kikuyu Campus borehole at a contract price of Kshs.2,512,270. Documents provided for verification indicated that the borehole was drilled and test pumped on 6 April, 2022. Physical verification carried out in November, 2022 and review of documents revealed that the borehole pumped water once and for 20 minutes only and then stopped. Further, available information indicates that the borehole's yield was inadequate for pumping.

In addition, the WIP schedule indicates payments for the project amounting to Kshs.3,830,113, resulting to an overpayment of Kshs.1,317,843. The excess payment was not explained or supported.

In the circumstances, the accuracy and existence of the reported property, plant and equipment balance of Kshs.207,502,368,000 could not be confirmed.

5. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,060,864,000 while Note 26 to the financial statements reflects a balance of Kshs.2,060,952,000. The variance of Kshs.88,000 under sundry debtors was not explained or supported. Further, examination of the supporting schedules revealed the following unsatisfactory matters: -

5.1 Unsupported Sundry Debtors and Former Staff Debtors

The balance of Kshs.2,060,864,000 includes sundry debtors of Kshs.444,853,000 which comprises staff debtors, accrued income, trade debtors and UoN Press debtors of Kshs.169,870,995, Kshs.58,297,377, Kshs.216,592,404 and Kshs.91,935 respectively.

Review of the debtors' schedules provided for audit revealed that the balance of Kshs.444,852,711 includes Kshs.169,870,995 related to long outstanding staff debtors both in active service and some who have exited service. No information was provided indicating when and how the staff debtors arose and why recovery measures had not been instituted. The Management did not also explain how staff who exited and still owe the University were cleared from the University and how the amounts are to be recovered.

Further, University of Nairobi Press debtors balance of Kshs.91,935 included in sundry debtors was not supported by any documentary evidence. The balance was also not reflected in the financial statements of University of Nairobi Press.

5.2 Long Outstanding Students Debtors

Note 26 to the financial statements reflects student debtors balance of Kshs.1,282,888,510. However, review of the report of the committee on long outstanding debtors dated 29 June, 2022 revealed that, the amount included student debtors amount relating to Module 1 of Kshs.143,947,959 and Module 2 of Kshs.723,130,651 all totaling Kshs.867,078,610. The debtors related to erroneous billings, abscondment, deregistration, suspension, discontinuation, expulsion, death, interfaculty transfer, withdrawal and failure to report, all of which are deemed uncollectable. No explanation was provided on why the balances have not been written off.

The continued holding of uncollectable debts in the accounting records is misleading to the users of the financial statements.

In the circumstances, existence and accuracy of the balances could not be confirmed.

6. Unsupported and Unremitted UoN Pension Scheme Balance

The statement of financial position and as disclosed in Note 33 to the financial statements reflects statutory payables totalling Kshs.10,566,627,000 which includes UoN Pension balance of Kshs.5,533,486,000 whose analysis in respect of the individual staff and amount pending was not provided for audit review. Similarly, the statement of changes in net assets reflects a pension understatement amount of Kshs.85,131,000 which was not explained or supported. Further, review of records revealed that a remedial plan was prepared by the University Council, discussed and adopted by the Board of Trustees on 30 September, 2019 and approved by the Retirement Benefits Authority (RBA) on 08 October, 2019.

According to the plan, the University was required to remit employees' contributions totalling to Kshs.50,000,000 per month so as to clear the outstanding arrears by 30 September, 2025. However, as at the time of audit in September, 2022, the University had not remitted the targeted amount of Kshs.600,000,000 to the Scheme.

This was contrary to the provisions of Sections 53A of the Retirement Benefits Act, 1997 and 53B(a)(iii) of the Retirement Benefits Act, 1997 (Revised 2020) which states that 'notwithstanding the provisions stated under Section 53A, where there is non-remittance of the contribution by the employer, the Authority shall require the employer to immediately cease further deductions from employees' emoluments and notify all the members of the scheme of the cessation'.

In addition, on 14 May, 2020 the University requested RBA to suspend the monthly payments following closure of all learning institutions due to the outbreak of Covid-19 pandemic. RBA requested the University to prepare a feasible remedial plan. However, the University has not provided any remedial plan for settlement of the long outstanding employer contributions to the Scheme.

In the circumstances, it was not possible to confirm the regularity and valuation of the University of Nairobi pension payable amount of Kshs.5,533,486,000.

7. Long Outstanding Payables

The financial statements disclose under Note 33 to the financial statements an amount of Kshs.10,566,627,000 as statutory payables. Included in the amount are long outstanding payables to Kenya Revenue Authority and Pension Scheme dating back from July, 2016 to June, 2021 amounting to Kshs.4,893,221,000 and Kshs.4,807,936,000 respectively.

In the circumstances, the University is exposed to fines and penalties for failure to meet its obligations as and when they fall due.

8. Unsupported Endowment for General Purposes

The statements of financial position and Note 38 to the financial statements reflect endowment for general purposes book balance of Kshs.16,181,000 as at 1 July, 2021 and 30 June, 2022. The endowment was established in 2005 as a designated fund for the purpose of funding students prizes and scholarships. However, documents provided indicate that the Fund has been dormant since 2006 and the amount of Kshs.16,181,000 reflected in the financial statements every year is a book balance that does not represent available funds. Further, no explanation was provided for retaining the book balance which is not represented by actual funds.

In the circumstances, the validity of the general fund balance of Kshs.16,061,015 as at 30 June, 2022 could not be confirmed.

9. Related Parties Balances

The statement of financial position reflects total non-current assets and non-current liabilities balances of Kshs.207,776,203,000 and Kshs.3,041,742,000 which as disclosed in Note 30 and Note 36 to the financial statements include funds held by UNES of Kshs.247,630,000 and UNES Ltd long-term liabilities of Kshs.269,050,000 respectively. However, the University of Nairobi Enterprise Services Limited financial statements as at 30 June, 2022 reflect corresponding balances of Kshs.102,617,487 and Kshs.268,027,471 respectively, resulting to variances of Kshs.145,012,513 and Kshs.1,022,529 which were not explained or supported.

In the circumstances, the accuracy of non-current assets and non-current liabilities balances of Kshs.207,776,203,000 and Kshs.3,041,742,000 respectively could not be confirmed.

Other Matter

10. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.16,286,639,000 and Kshs.14,382,846,000 respectively, resulting to a shortfall of Kshs.1,903,793,000 or 12% of the budgeted amount. The statement also reflects an expenditure budget of Kshs.15,671,829,000 against actual expenditure of Kshs.16,533,091,000, resulting to an over-expenditure of Kshs.861,262,000 or 5%. Although Management attributed the shortfall in revenue collection to challenging business environment brought about by the Covid-19 pandemic, anticipated Government capitations not realized and research grants which were not received, the approval of the over expenditure was not provided.

Further, the statement of comparison of budget and actual amounts reflects actual revenue of Kshs.14,382,846,000 and actual expenditure of Kshs.16,533,091,000 which was at variance with the statement of financial performance amounts of Kshs.10,155,552,000 and Kshs.12,272,983,000, resulting to unexplained and unsupported variances of Kshs.4,227,294,000 and Kshs.4,260,108,000 respectively.

In the circumstances, the underperformance negatively affected the service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

11. Lack of Council Meeting Minutes

The statement of financial performance and Note 16 to the financial statements reflect an amount of Kshs.6,825,000, being Council expenses. The Council minutes register for the year shows that the Council and Sub-Committees had a total of thirteen sittings but only three sets of minutes were provided to support the sittings.

In the absence of signed Council and Sub-Committees' minutes, it is not possible to confirm that meetings were held and deliberations made.

12. Unsupported Procurement Method

The University paid Kshs.888,590 to a Company for the supply of tonners on a framework agreement basis.

However, Management did not provide the list of the remaining six (6) alternative suppliers that entered into the framework agreement alongside the Company, for the supply of 'HP Laser Jet Printers Tonners'; and their framework agreements as per Section 114(1)(c) of the Public Procurement and Asset Disposal Act, 2015, which states

that 'a procuring entity may enter into a framework agreement through open tender if a minimum of seven alternative vendors are included for each category'.

In the circumstances, Management was in breach of law.

13. Grounded Motor Vehicles

Examination of motor vehicle records revealed that sixty-six (66) motor vehicles had been grounded. Available information indicated that the vehicles were earmarked for disposal. However, the process of disposal had not commenced, contrary to Section 163(1) of the Public Procurement and Disposal Act, 2015 which provides guidelines and procedures for disposal of unserviceable, obsolete, or surplus stores, equipment or assets. Besides depreciating and deteriorating in value, the grounded motor vehicles have not made any contribution towards the achievement of service delivery objectives of the University.

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

14. Dilapidated Assets

Physical verification of the University assets carried out between 27 November, 2022 and 8 December, 2022 revealed that some of the University's assets are in a deplorable state as indicated below: -

14.1 Maona Marine Field Station - Diani Mombasa

A visit to the station established that it has a twelve (12) roomed Hostel which can accommodate twenty-four (24) students who visit the facility while doing research. In addition, there is a two-bed roomed cottage which can accommodate families who visit the facility. There is also a lab, multipurpose hall, a cafeteria and a kitchen. The buildings at Diani Beach were valued at Kshs.19,774,000. However, some of these buildings were in a bad condition as ceilings were falling off, there was rusty equipment, dust, old paint which is peeling off and leaking roofs. Lab equipment were similarly old, obsolete and had gathered dust. The University only carried out fumigation services at the station which included fighting termites' habitats around the station and putting makuti roof at the cottage.

Further, Diani beach land is valued at Kshs.366,000,000. However, the land is not properly secured as part of it is across the road and is under serious threat of encroachment from food kiosks that have been put up. Additionally, two curio shops have also been illegally put up at the beach on the side facing the ocean.

In the circumstances, the University is not getting value for money in respect of the dilapidating assets. The University is also exposed to loss of land if the encroached area is not secured.

14.2 Kibwezi Field Station

Assets at Kibwezi Field Station comprises 12,000 acres of land and buildings valued at Kshs.799,712,000 and Kshs.189,959,099, respectively. A visit to the station confirmed that all the buildings are physically in existence as shown in the assets register. However, the following issues were noted: -

14.2.1 Laboratory/Lecture Hall

It was noted that although the hall was spacious, the ceiling had partly caved in with a gaping hole or open space at the roof, the furniture was old and completely worn out, there was no equipment in the laboratory.

14.2.2 Dining/Kitchen

The kitchen was spacious with old utensils and leaking taps. The ceiling was made up of timber and was fairly good. However, the ceiling was invaded by bats. The stench from the bats urine and droppings can be sensed from a distance of about 100 metres away.

Further, it was noted that: -

- (a) Staff clinic was closed several years ago and doctors transferred to Nairobi. The poultry project was also closed and the 4-house units were not in use.
- (b) Accommodation rooms had worn out mattresses, and painting was required, and ceiling needed repairs. The other buildings were also in need of repairs.
- (c) The pump house at the irrigation field was partly under water and there was a risk of sucking in silt. The pumping equipment had rust due to corrosion and negligence. The irrigation project which used to be operated by the Israelites had since been abandoned and just a small portion given to the Community Youth to farm for free. The store house, toilets, workshops, office, and lecture hall were abandoned several years ago. The buildings on site were in a bad state and ceilings caving in with broken doors and windows.
- (d) The water intake was working but the diesel engine which used to back up power during outages was taken away in the year 2020 allegedly for repairs at Davis and Shirtliff and has not been returned. The water treatment tank was malfunctioning due to blocked pipes. The operators devised a manual way of filtering the water using a piece of cloth and chlorinating the water manually. The water from the treatment tank was sucked using two small pipes to the dosing area then collected at a storage tank for distribution to the consumers. The elevated steel tank was damaged and irreparable as a result of rust and corrosion.

In the circumstances, it was not possible to confirm the accuracy of the balance reflected in the statement of financial position since it includes value of neglected and abandoned assets of the University.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

- 15.** There were no material issues relating to effectiveness of internal controls, risk management and governance.

MOI UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

16. Presentation and Disclosures in the Financial Statements

Review of the financial statements disclosed that the presentation was not in conformity with the template prescribed by the Public Sector Accounting Standards Board as noted below.

- i. The statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts are titled Moi University but include those of Rivatex East Africa Limited which is wholly owned by the University. In addition, Notes have not been provided to explain the method used to consolidate the financial statements of the two entities.
- ii. The table of contents page has not been numbered and the font of the listed contents has been bolded, contrary to the approved financial reporting template and The National Treasury Circular Ref:AG.4/16/3Vol.II (66) of 6 July, 2022.
- iii. The amounts quoted in the Management Discussion and Analysis report under financial performance are not in agreement with the amounts disclosed in the statement of financial performance for the year ended 30 June, 2022.
- iv. The results of the University for the year ended 30 June, 2022 are set out on page 1-60 and not 1-56 as indicated in the report of the University Council on page xxxvii.
- v. The consolidated statement of financial position is not titled.
- vi. The statement of changes in net assets has not been prepared as per the approved template. Transfer of capital depreciation adjustment has not been disclosed as required by the approved template and no transfers have been made from capital fund to retained earnings.
- vii. Note 18 to the financial statements reflects receivables of Kshs.1,443,673, which differs with the balance disclosed in the statement of financial position of Kshs.1,413,364 resulting to an unreconciled variance of Kshs.30,309.

In the circumstances, the financial statements do not adhere to International Public Sector Accounting Standard number 36 on consolidated financial statements.

17. Use of Goods and Services

17.1 Unsupported Accommodation and Catering Services Payables

The consolidated statement of financial performance reflects use of goods and services amount of Kshs.1,647,488,000 which includes student accommodation and catering expenditure of Kshs.62,637,000 as disclosed in Note 10 to the financial statements. However, the student accommodation and catering expenditure of Kshs.62,637,000

include accruals amounting to Kshs.12,746,447 whose supporting schedules were not provided for audit.

17.2 Misclassification of Apple Farm Wages

The consolidated statement of financial performance reflect use of goods and services amount of Kshs.1,647,488,000, which includes an amount of Kshs.33,373,000 relating to miscellaneous expense as disclosed in Note 10 to the consolidated financial statements. Examination of documents in support of the expenses revealed that wages amounting to Kshs.11,327,709 for the apple farm employees were classified under miscellaneous expenses as opposed to employee cost.

17.3 Unsupported Expenditure for Field Courses

The consolidated statement of financial performance reflects use of goods and services expenses of Kshs.1,647,488,000 which includes field courses expenses of Kshs.92,859,000 as disclosed in Note 10 to the financial statements. Examination of documents in support of the expenditure revealed that an amount of Kshs.46,821,902 incurred under field courses were not supported by travel documents such as work tickets, prior approval for use of personal vehicles and relevant receipts.

17.4 Unsupported Student Welfare

The consolidated statement of financial performance reflects use of goods and services amount of Kshs.1,647,488,000, which includes student welfare services amount of Kshs.17,758,000, as disclosed in Note 10 to the consolidated financial statements. Included in this expenditure is an amount of Kshs.7,350,200 compared to Kshs.78,600 paid in prior year to Kenya Universities and Colleges Central Placement Services (KUCCPS) for placement of 4,845 students for the financial year 2020/2021. However, the list of students who were registered through KUCCPS was not provided. Further, the computation method for the invoiced amount was not disclosed for audit confirmation.

In the circumstances, the accuracy of reported amount could not be confirmed. It is also not clear why expenditure for the year 2020/2021 was not accrued in the same year.

18. Unaccounted for Contracted Legal Fees

The consolidated statement of financial performance reflects contracted services amount of Kshs.34,483,000 as disclosed in Note 15 to consolidated financial statements. This amount includes legal fees amounting to Kshs.8,997,000 reported as accrued expenses but had been omitted from the payables schedule.

In the circumstances, the accuracy and completeness of the amount of Kshs.34,483,000 in respect of contracted services could not be confirmed.

19. Employee Costs

19.1 Unremitted Pension Benefits

The consolidated statement of financial performance reflects employee costs of Kshs.5,010,606,000 as disclosed in Note 11 to the consolidated financial statements. This includes gratuity and retirement benefits amount of Kshs.375,537,000, being

deductions remitted to the respective statutory bodies whose confirmation of payments were not provided.

In the circumstances, the remittance of gratuity and retirement benefits amount of Kshs.375,537,000 could not be confirmed.

19.2 Unfunded Provident Fund Contributions

The statement of financial position and Note 19 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.1,335,689,000 being employers' pension and provident fund contributions by the Ministry of Education not paid. This includes Kshs.45,989,640 for 2010 - 2013, Kshs.187,130,028 for 2013 - 2017, Kshs.313,439,578 for 2017 - 2018, Kshs.396,064,000 for 2018 - 2020 and Kshs.393,065,100 for 2020 - 2021. However, there were no relevant documents to support the balances.

In the circumstances, the accuracy and completeness of unfunded employer's contribution to the pension and provident fund balance of Kshs.1,335,689,946 could not be confirmed.

19.3 Unsupported Payments for Casual Staff

The consolidated statement of financial performance reflects employee costs of Kshs.5,010,606,000 which includes an amount of Kshs.262,187,181 incurred on casual wages as per the analysis of bank statement and documents provided. However, the expenditure was not planned and budgeted for, nor the amount disclosed in the notes to the financial statements. Further, statutory deductions, individual bank account details, minutes or documents detailing how the casuals were engaged and how their positions were established was not provided.

In the circumstances, the completeness, accuracy and regularity of casual wages amount of Kshs.262,187,181 could not be confirmed.

19.4 Irregular Payment of Acting Allowances

The consolidated statement of financial performance reflects employee costs of Kshs.5,010,606,000 which includes an expenditure of Kshs.7,959,000 on staff acting allowances. The officers have acted for more than six months and the positions have not been advertised. The staff earned acting allowances during the period under review as per their acting appointment letters, contrary to Section C14 of Part III of Human Resource Policies and Procedures Manual for Public Service, May 2016. Further, the positions are not supported by staff establishment and declaration of vacancies.

In the circumstances, the regularity of the expenditure of Kshs.7,959,000 incurred on acting allowance could not be confirmed.

19.5 Overpayment of CBA Amount

The consolidated statement of financial performance reflects employee costs of Kshs.5,010,606,000, which includes an expenditure of Kshs.2,810,476,000 incurred on basic salary. The expenditure includes an increase in basic salary of Kshs.256,179,000,

which is attributed to CBA agreement amount of Kshs.200,000,000, resulting to an unexplained variance of Kshs.56,179,000 paid in excess of the approved salary.

In the circumstances, the regularity of salaries payment amounting to Kshs.5,010,606,000 could not be confirmed.

20. Unconfirmed Non-Current Assets Balance

20.1 Biological Assets

The statement of financial position reflects biological assets balance of Kshs.44,908,000 as disclosed in Note 21 to the financial statements. However, the financial statements did not disclose a gain or loss arising on initial recognition of a biological asset at fair value less costs and from a change in fair value less costs and a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period.

In the circumstances, the financial statements do not comply with the provisions of IPSAS 27 on accounting for biological assets.

20.2 Intangible Assets - Delayed Implementation of ERP

The statement of financial position reflects intangible assets balance of Kshs.55,011,000 as disclosed in Note 24 to the financial statements which includes an amount of Kshs.26,595,959.48 for an Enterprise Resource Planning (ERP) software with a one lifetime license fee of Kshs.11,500,000 procured in the financial year 2017-2018. However, the implementation of the system is yet to be completed with some modules and sub-modules not implemented. There is no evidence on the commissioning of the software and the disclosure in the financial statements did not indicate whether its useful life is finite or infinite or the amortization rates used.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.55,011,000 could not be confirmed.

20.3 Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.11,300,352,000 as disclosed in Note 22 to the financial statements. However, the following matter was noted:

20.3.1 Undisclosed Parcels of Land

Included in the balance is Kshs.547,715,000 in respect of nine (9) parcels of land held by the University. However, four (4) parcels of land were not disclosed in the financial statements. Further, land revaluation had not been undertaken recently and the value of land could be understated.

20.3.2 Unsupported Work-In-Progress

Note 22 to the consolidated financial statements reflects Work-In-Progress (WIP) balance of Kshs.4,577,231,000. However, a detailed analysis including supporting schedule indicating among other information, contract, payee, certificate of work done, amount paid

for each certificate was not provided for audit review. Further, the financial statements do not disclose WIP that were capitalized during the year.

20.3.3 Unaccounted for Disposal of Assets

During the year, Management made disposal of assets with realized value of Kshs.538,000 which included three motor vehicles (KYF 115 - Kshs.256,000, KAJ 930 - Kshs.57,000 and KAH 095 - Kshs.100,000). However, no disposal ledger was prepared and profit or loss on sale of the motor vehicles was not determined and disclosed.

20.3.4 Unsupported Capital Works

The consolidated statement of financial position reflects trade and other payables balance of Kshs.5,860,063,000, which includes capital works of Kshs.89,424,000 as disclosed in Note 25 to the financial statements. However, this balance was not supported by invoice register and monthly aging analysis. Separate retentions account was also not maintained for capital projects.

In the circumstances, the completeness and accuracy of property, plant and equipment balance of Kshs.11,300,352,000 could not be confirmed.

21. Receivables from Non-Exchange Transactions

21.1 Unsupported Tuition Fees

The consolidated statement of financial performance reflects rendering of services amount of Kshs.2,118,763,000 which includes tuition fees of Kshs.1,262,736,000 as disclosed in Note 7 to the financial statements. However, it was not possible to confirm amounts invoiced to students and tuition fees received as per approved fee structure since no listing from the system on student invoices and receipts issued to students were provided for audit review.

21.2 Error in Invoicing of Students Tuition Fees

The consolidated statement of financial performance reflects rendering of services amount of Kshs.2,118,763,000 which includes tuition fees of Kshs.1,262,736,000 as disclosed in Note 7 to the financial statements. Review of the tuition fees ledger revealed a private sponsored student, pursuing Bachelor of Business Management was invoiced an amount of Kshs.480,000,000 for year 4 semester 2, contrary to the approved fees of Kshs.60,000 as per the fees structure, resulting to an over-invoiced amount of Kshs.420,000,000.

In the circumstances, the accuracy of tuition fees amount of Kshs.1,262,736,000 could not be confirmed.

22. Borrowings - GoK Loan

The statement of financial position and Note 27 to the financial statements reflect Government of Kenya (GoK) loan balance of Kshs.231,250,000. The University received GoK loan of Kshs.250,000,000 on 11 June, 2008 to facilitate the acquisition of Karatina Campus, which is now a fully chartered University.

However, the following anomalies were noted.

- (i) The purchase agreement or contract between Moi University and Kenya Tea Development Agency (KTDA) for purchase of Kagochi Training Institute indicated that Kshs.168,852,825 was agreed and Moi University paid Kshs.151,675,429 vide PV. 212211 and Cheque Number 001718 dated 4 September, 2009. Information provided indicates that Kshs.16,852,825 was supposed to be paid to the vender as deposit towards the purchase price on or before the execution of the sale agreement by the parties. However, there was no documentary evidence indicating that the payment was made to Kenya Tea Development Agency Ltd (KTDA).
- (ii) The Purchase Agreement indicated a contract price of Kshs.168,852,825 and other expenditure of Kshs.24,640,300 totalling Kshs.193,493,125. The details and documents for the utilization of the balance of Kshs.56,506,875 out of the GoK loan of Kshs.250,000,000 were not provided for audit.
- (iii) There is no evidence that The National Treasury gave consent assigning the loan to Karatina University in accordance with legal notice establishing Karatina University College.
- (iv) The loan has not been serviced for the last twelve (12) years and the University is in breach of GoK loan agreement terms.

In the circumstances, the University is likely to incur loses through fines and penalties for failing to service the loan as per the Agreement. Further, the accuracy of the loan balance of Kshs.231,250,000 could not be confirmed.

23. Unsupported General Trade Supplies

The statement of consolidated financial position reflects trade and other payables balance of Kshs.5,877,138,000 which includes general trade supplies of Kshs.1,152,242,000 as disclosed in Note 25 to the financial statement. However, the balance was not supported by invoice register/creditors control ledger and creditors policy.

In the circumstances, the completeness and accuracy of general trade supplies of Kshs.1,152,242,000 could not be confirmed.

Emphasis of Matter

24. Uncertainty on Sustainability of Services

The statement of consolidated financial position reflects current liabilities totalling Kshs.5,888,159,000 and current assets totalling Kshs.4,260,093,000 as at 30 June, 2022 resulting to a negative working capital of Kshs.1,628,066,000. Further, the group incurred an operating deficit of Kshs.699,128,000 which increased its accumulated deficit from Kshs.3,919,315,000 to Kshs.4,510,106,000 as at 30 June, 2022.

The unfavorable performance and financial position cast significant doubt on the University's ability to meet its financial obligations as and when they fall due. The University may, therefore, have to largely depend on financial support from the National Government and the goodwill of creditors to sustain its services.

My opinion is not modified in respect of this matter.

Other Matter

25. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.7,602,132,000 and Kshs.6,294,642,000 respectively, resulting to underfunding of Kshs.1,307,490,000 or 17% of the budget.

The underfunding may have affected service delivery to the stake holders.

26. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the report on Qualified Opinion, Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

27. Non-Compliance with the Ethnic Composition

The staff bio data provided for audit review indicated that the University had 2,500 employees. Out of the number, 1,549 or 62% were from the same community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that 'all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and 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.

28. Irregular Extension of Insurance Contracts

The statement of financial performance reflects contracted services amount of Kshs.34,483,000, which includes insurance expenses amount of Kshs.25,486,000, as disclosed in Note 15 to the financial statements. Review of expenditure records revealed that the contracts between the University and the two insurance brokers expired on 31 August, 2021 and were subsequently extended without retendering for the service.

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

29. Failure to Remit Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.5,877,138,000 which includes statutory deductions not remitted to respective statutory bodies of Kshs.4,375,287,000 as disclosed in Note 25 to the financial

statements. This was contrary to Section 35 of Cooperatives Society Act Cap 490 and Section 53A, of the Retirement Benefits Act.

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

30. Officers Retained Beyond Retirement Age

The consolidated statement of financial performance reflects employee costs of Kshs.5,010,606,000. However, analysis of the staff data and payroll, revealed that an amount of Kshs.19,621,404 was incurred on payments to five (5) academic staff who had retired from the service at the age of seventy (70) but were still in the payroll. Documents supporting their terms of engagement on extension were not provided for audit review. This was contrary to the University statute that provides that an academic staff shall retire from employment on the thirtieth day of June next after the date on which the member of staff attains the age of seventy (70) years or such other age as may be determined by the Council from time to time.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

31. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KENYATTA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

32. Property, Plant and Equipment

The statement of financial position and, as disclosed in Note 22 to the financial statements, reflects a balance of Kshs.16,768,650,449 in respect of property, plant and equipment. Review of the financial statements revealed several unsatisfactory issues as indicated below:

32.1 Unsupported and Ineligible Capital Work in Progress Balance

Included in the property, plant and equipment balance is Kshs.835,833,972 in respect of capital work-in-progress which relates to fourteen (14) projects, out of which only two (2) recorded a movement of Kshs.30,689,366. However, the project implementation status reports for all projects were not provided for audit verification. Further, capital work-in-progress balance includes an amount of Kshs.214,995,255 relating to Kenyatta University Teaching, Referral and Research Hospital (KUTRRH), a level six hospital. Information available indicates that the Hospital is a state corporation, established under the State

Corporations Act, Cap 446 through a Legal Notice number 4 of 2019 and as such not part of the University's capital work-in-progress.

32.2 Lack of Land Ownership Documents and Illegal Encroachment

Included in the balance of property, plant and equipment is Kshs.6,085,271,458 in respect of land. However, review of documents and as previously reported, the land includes a portion measuring 12.472 hectares valued at Kshs.123,281,555 that has been encroached by informal settlers. Although the University filed a case in Court against the encroachment and obtained a favourable ruling, no eviction has been enforced.

In addition, the balance includes an amount relating to a piece of land measuring thirty-two (32) hectares allocated through the assistance of Lagdera Constituency Development Fund in Garissa County and for which the University paid registration fees of Kshs.880,000. However, ownership documents for the land were not provided for review.

Further, the balance includes an amount relating to a portion of land measuring 7.97 hectares on which a Government teaching, research and referral hospital is built. The Hospital was established under the State Corporations Act, Cap 446 through Legal Notice Number 4 of 2019 and was constructed through a concessional loan agreement between the Kenya Government and Export-Import Bank of China amounting to Kshs.8,756,625,600. The ownership and compensation of the land on which the Hospital is built could not be confirmed.

32.3 Nugatory Expenditure on Closed Kigali Campus

Included in the capital work-in-progress balance of Kshs.835,833,972 and as disclosed in Note 26 to the financial statements, is a balance of Kshs.206,358,891 in respect of Rwanda Campus work-in-progress which resulted from acquisitions during the year costing Kshs.28,847,273. As previously reported, the University incurred an amount of Kshs.420,749,207 to set up Kigali Campus in Rwanda. However, the University closed down the campus due to operational challenges imposed by change in legislation by the Government of Rwanda. Although the University Management explained that all the due diligence was done before the decision to open up the campus was made, Management did not explain why this additional cost was spent on a closed campus.

32.4 Stalled Projects

Included in the capital work-in-progress balance of Kshs.835,833,972 are twelve (12) stalled projects costing Kshs.556,578,214, which have stalled since 2018. Physical verification revealed that all stalled projects had building materials of undetermined value lying idle on sites that are overgrown with bushes and perimeter walls around the sites had been vandalized.

32.5 Unaccounted for Assets

Included in the property, plant and equipment balance is fully depreciated furniture and equipment that was still in use. However, revaluation had not been done to reflect realistic value of the assets. The balance also includes an amount of Kshs.11,399,320 in respect of computer hardware. However, actual existence of these assets could not be confirmed

as majority were not tagged. Further, the property, plant and equipment balance include assets worth Kshs.298,471,809 recorded in the Main Campus fixed assets register as having been deployed to the Kitui Campus. However, review of the fixed assets registers at the Kitui Campus did not reveal corresponding receipts of assets indicated as having been deployed from the Main Campus.

In addition, Kitui Campus did not maintain a consolidated asset register for all its assets but instead had separate records of assets inventory kept in each section/department.

32.6 Underutilized University Houses

Included in the property, plant and equipment balance is Kshs.9,827,323,729 in respect of buildings. Physical verification at Kitui Campus revealed that there were sixty-two (62) staff houses, out of which only twenty (20) were occupied. The rest including six (6) two-self-contained bedrooms and thirty-six (36) three-self-contained bedrooms were not occupied and appear dilapidated with the furniture and fittings subject to wear and tear.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.16,768,650,449 could not be confirmed.

33. Long Outstanding Fee Balances

The statement of financial position and Note 19a to the financial statements reflects receivables from exchange transactions balance of Kshs.226,686,924 in respect of student fee arrears that are outstanding.

Out of the total number of students with fee balances, 3,054 were active students. The University fees policy requires a student to have cleared fees balance and registration of units by the extended deadlines established by the University, otherwise the student would be required to apply for semester-off.

In the circumstances, the accuracy of receivables from exchange transactions balance of Kshs.226,686,924 could not be confirmed and their recoverability appears doubtful.

Emphasis of Matter

34. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.6,858,664,570 and Kshs.6,868,943,693 respectively, resulting to over-collection of Kshs.10,279,123. Similarly, the University spent Kshs.8,725,901,251 against an approved budget of Kshs.9,211,960,329, resulting to under expenditure of Kshs.486,059,078.

The under expenditure may have curtailed realization of planned activities and service delivery.

My opinion is not modified in respect of this matter.

Other Matter

35. Uncertainty Relating to Sustainability of Services

I draw your attention to the statement of financial performance which reflects a deficit of Kshs.1,856,957,558 and the statement of financial position which reflects total current assets balance of Kshs.1,118,690,886 and total current liabilities balance of Kshs.9,060,173,800, resulting in a negative working capital of Kshs.7,941,482,914. The University did not make any disclosure on the face of the financial statements on the material fact that it may not sustain its services.

In view of the deficit and the negative working capital, the ability of the University to continue to sustain its services is dependent on continued Government support.

36. Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2021 raised several unsatisfactory issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal controls, risk management and governance. However, the issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

37. Management of Imprests

Review of the imprests register and related records revealed a balance of Kshs.133,549,119 in respect of outstanding imprests. Included in this balance is an amount of Kshs.56,191,918 in respect of general imprests while the balance of Kshs.77,357,202 related to research imprests. Several unsatisfactory issues emerged from the review as follows:

37.1 Irregular Issuance of Imprests

Review of research imprests register revealed that, various officers were issued with additional imprests before surrendering the ones previously held, contrary to Regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, 2015 which provides that before issuing a temporary imprest, the Accounting Officer shall ensure that the applicant has no outstanding imprests.

37.2 Incomplete Imprests Register

Review of the general and research imprests registers maintained by Management revealed that critical details on the due date of surrender of imprests issued have been omitted from the registers.

37.3 Long Outstanding imprests

Further review of imprests records revealed that some of the outstanding imprests date back to 2007/2008 financial year, contrary to Regulation 93(5), (6) and (7) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station and that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate. If the Accounting Officer does not recover the temporary imprest from the defaulting officer as provided for in this regulation, the Accounting Officer commits an offence as provided for under the Act.

37.4 Irregular Use of Imprests on Procurement of Goods, Works and Services

During the year under review, Management approved issuance and use of imprests on procurement of goods, works and services totalling Kshs.20,891,054. This was contrary to Regulation 93(3) of the Public Finance Management (National Government) Regulations, 2015 which provides 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.

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

38. Long Outstanding Staff Debtors

Review of records provided for audit revealed that receivables from non-exchange transactions amounted to Kshs.6,027,864, mainly owed by members of staff. The balances have been outstanding for over a year, out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the University. As previously reported, the loans were issued by a local bank and guaranteed by the University but the staff defaulted in repayment after they left the University and the bank recovered the amounts owed together with accrued interest from the University's fixed deposit account. However, it was not explained why the logbooks used as collateral for the loans were released to the defaulters and why Management cleared the former members of staff before full recovery of the loans. Although Management has engaged the services of a debt collector, the debts have not been fully recovered.

In the circumstances, recoverability of the debts is doubtful.

39. Non-Compliance with Deduction and Remittance of Statutory Dues

The statement of financial position and Note 23a to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.8,186,559,327 which includes general creditors amounting to Kshs.691,997,777, representing an increase of Kshs.186,299,627 from the opening balance of Kshs.505,698,150. Out of the total outstanding balance in this category, Kshs.700,500,879 has been long outstanding.

Further, the University had not remitted PAYE amounting to Kshs.3,651,509,954 to Kenya Revenue Authority, an increase of Kshs.712,289,504 from the opening balance of

Kshs.2,939,220,450, unremitted VAT of Kshs.98,748,442, an increase of Kshs.10,077,017 from the opening balance of Kshs.88,671,425 and unremitted pension payments of Kshs.2,576,713,316, an increase of Kshs.665,707,231 from the opening balance of Kshs.1,911,006,085. These unremitted statutory deductions have been long outstanding.

Other deductions from employee emoluments and which were not remitted were, cooperative deductions, insurance deductions, NHIF, NSSF, other salary deductions, staff loans deductions and welfare deductions of Kshs.233,703,998, Kshs.2,301,773, Kshs.1,908,735, Kshs.120,546, Kshs.57,958,211, Kshs.70,428,835 and Kshs.41,313,113 respectively totalling to Kshs.407,735,211.

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

40. Irregular Commitment of Funds

Review of records obtained revealed that several Local Purchase and Service Orders (LPOs and LSOs) amounting to Kshs.1,266,241 were committed past 31 May, 2022 for medical supplies without approval of the Accounting Officer, contrary to Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that all commitments for supply of goods or services shall be done not later than May 31 each year except with the express approval of the Accounting Officer in writing. The written approval by the Accounting Officer for the commitment of funds past the allowed date was not provided for audit review.

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

41. Irregular Splitting of Tenders

Review of procurement records revealed that the University procured stationery and office equipment from suppliers during the year totalling Kshs.2,999,707. Review of Local Purchase Orders revealed that various contracts were split. Several contracts were also issued to suppliers under request for quotations, contrary to Section 54(1) of the Public Procurement and Assets Disposals Act, 2015 which provides that no procuring entity may structure procurement as two or more procurements for the purpose of avoiding the use of a procurement procedure except where prescribed. No explanation was provided on why the University did not procure the goods and services using open tendering or framework contracting.

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

42. Irregular Payment of Subscriptions

A payment of Kshs.2,492,258 was made on 18 October, 2021 to a web services provider as subscriptions for hosting cloud services for Kusoma and Yali Learning Management Systems. Review of the supporting documents revealed that the payment was based on a Proforma Invoice dated 08 October, 2021, Local Purchase Order (LPO) issued on 11 November, 2021 and requisition done on 10 December, 2021, which was one month after the order was issued while the services were offered in January, 2022. The professional opinion was drawn on 01 September, 2021 by the Head of Procurement department but

the process used to identify the company for the provision of the services to be rendered was not indicated as the cost of the service was estimated rather than based on actual deliverables. The contract between the University and the service provider was not provided for audit verification.

In the circumstances, the regularity of the payment could not be confirmed.

43. Irregular Payment of Commission

The statement of financial performance and Note 15 to the financial statements indicate that an expenditure of Kshs.16,990,943 was incurred on contracted professional services. Included in this expenditure is Kshs.131,898 being payment of commission to an individual for referring National Government Constituencies Development Fund (NG-CDF), Nairobi to North Coast Beach Hotel. However, supporting documents including the proof of such reference as the basis for the payment was not provided for verification.

In the circumstances, the regularity of the payment could not be confirmed.

44. Failure to Prepare and Submit Bank Reconciliation Statements

Review of records provided for audit revealed that the University has thirty-five (35) operational bank accounts. Management had however not prepared and submitted for audit the bank reconciliation statements for all the bank accounts contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to The National Treasury with a copy to the Auditor-General.

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

45. Personnel Emoluments

The statement of financial performance and Note 11 to the financial statements reflect personnel emoluments of Kshs.6,361,441,604. Review of personnel records and related documents revealed several issues as indicated below:

45.1 Irregular Payment of Salary and Other Benefits

Included in the personnel emoluments is Kshs.10,164,036 paid to a former Vice Chancellor whose tenure at the University ended in 2016 and appears in the payroll as a member of teaching staff. During the same period, the officer was a member of Judicial Service Commission and the Chairperson of the Board of Directors of Kenyatta University Teaching, Referral and Research Hospital that draw resources from the Government.

45.2 Non-Compliance with the One-Third of Basic Salary Rule

During the year under review, twenty-two (22) employees earned a net salary of less than a third (1/3) of their basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management has not provided reasons for the non-compliance with the law.

45.3 Non-Compliance with Minimum Requirements on Employee Ethnic Composition

Review of employee records revealed that one thousand one hundred and eighty-five (1,185) or 42% out of two thousand eight hundred and forty-six (2,846) University employees are from one ethnic community resulting to a 9 percentage points above the 33% threshold, while one thousand six hundred and sixty-one (1,661) are from thirty-five (35) communities. Further, Management recruited sixty-one (61) staff members during the year under review out which twenty-five (25) or 41% were from one community while thirty-six (36) were from nine (9) communities, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that 'no public establishment shall have more than one third of its staff from the same ethnic community'.

45.4 Members of Staff Working Beyond Mandatory Retirement Age

The University in the year under review had forty-eight (48) members of non-teaching staff who were working beyond the mandatory retirement age of sixty (60) years and ten (10) members of teaching staff who were beyond the mandatory retirement age of seventy-five (75) years, as at 30 May, 2022 and hence drawing salaries from the University's payroll, contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which directs that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the Government from time to time.

45.5 Irregular Payment of Acting Allowances

Included in the expenditure on personnel emoluments is Kshs.6,486,435 in respect of acting allowances. Review of records revealed that four (4) members of staff in acting capacities were paid acting allowances for periods of more than six (6) months, contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which directs that when an Officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance and the allowance will not be payable to an officer for more than six (6) months. As a result, the payment of acting allowance was irregular.

45.6 Non-Compliance with Staff Establishment

The University has an approved staff establishment of one thousand five hundred and ninety-four (1,594) while the in-post and the actual staff in place are two thousand four hundred and fifty-eight (2,458), resulting to an over establishment of eight hundred and sixty-four (864) members of staff.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

46. Loss Making Operations

The statement of financial performance and Note 8 to the financial statements reflect surplus from income generating activities of Kshs.122,314,164. However, revenue activities in respect of catering of Kshs.44,678,489 had corresponding expenses of Kshs.64,809,816, resulting to loss of Kshs.20,131,327. Management has not explained the measures that will be put in place to reverse the trend to ensure sustainability.

In the circumstances, the effectiveness of the University's risk management and governance could not be confirmed.

EGERTON UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

47. Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.1,527,902,227 resulting to accumulated revenue reserves deficit of Kshs.6,624,709,168 for the year under review. Further, the statement of financial position reflects total current assets and liabilities balances of Kshs.1,697,071,948 and Kshs.8,570,105,995 respectively, resulting to negative working capital of Kshs.6,873,034,047. This is an indication of the existence of material uncertainty which casts doubt on the University's ability to continue to sustain its services and to meet its obligations as and when they fall due. In addition, the material uncertainty in relation to sustainability of services and the mitigation measures put in place to reverse the situation have not been disclosed in the financial statements.

In the circumstances, the continued survival and ability of the University to continue to sustain its services is dependent on continued Government support.

48. Irregular Legal Charges

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects administration and central services expenses of Kshs.1,188,118,035. The amount includes legal charges amount of Kshs.9,184,645 relating to cases filed which have been pending for long and not disclosed as contingent liabilities as detailed below:

48.1 Case Number, Nairobi HCC 2527 of 1996

The plaintiff sued the University for the supply of goods valued at Kshs.4,690,651 plus interest which it alleges the University owes. The status report indicates that the

University was to file an application for dismissal of suit for prosecution, but the court file was not traced.

48.2 Case Number Nakuru MCC 962 of 1996

The plaintiff was an employee at the University's Ngongogeri farm. He filed the case alleging wrongful dismissal and loss of property after he was evicted from the farmhouse, for a total cost of Kshs.700,000. Judgement was entered and the plaintiff was awarded Kshs.70,000 to which the plaintiff appealed and the appeal is still pending.

48.3 Case Number Nairobi CMCC 3920 of 2002

The claimant sued University for an amount of Kshs.2,354,764 including costs and 36% interest for aluminum works at the University Physical Science Complex in 1999. The University had given a proposal for settlement at Kshs.1,034,923, being outstanding sum and 12% interest per annum charge on principal amount but the claimant declined. However, no file or documentation was presented for audit to establish the origin of the case and why the claim had not been paid.

48.4 Case Number Nairobi HCC 217 of 2003

The claimant alleged termination of insurance policy agreement that was running from 1991 and renewed annually by the University for five (5) years after the enactment of procurement law allowing competitive bidding in place of single sourcing. The said policies had a Clause that 'in the event of termination, the discounts given will fall due'. The plaintiff sued for Kshs.6,609,896 and Kshs.4,507,857, being unremitted premiums and discounts earlier allowed respectively. The University lodged a counter claim against the claimant of Kshs.4,351,543 for overpayment of premiums. The matter was filed in Nairobi and the University is in the process of applying for its transfer to Nakuru.

48.5 Case Number Nakuru CMCC No.2509 of 2004

The University filed a claim against the defendant in 2014 and obtained judgement in its favor. Upon pursuit of the decretal amount from the defendant or debtor in vain, the University instructed its lawyers to pursue the same through auctioneers who were able to attach the defendant's motor vehicle valued at Kshs.300,000. The defendant or debtor never came forward to clear the remaining amount and the same auctioneers tried to trace any other movable property owned by the debtor and even traced the debtor but all efforts came to a naught. The University came across obituary of the debtor and recommended that the outstanding debt be written off.

In the circumstances, accuracy, regularity and disclosure of legal charges totalling Kshs.9,184,645 could not be confirmed.

49. Interest Payable on Delayed Remittance of Payroll Deductions

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects administrative and central services costs of Kshs.1,188,118,035. The amount includes interest payable on delayed remittance of payroll deductions amounting to Kshs.706,456,019.

However, the basis for computing the interest was not provided for audit review. In addition, there is no evidence of Management having engaged with the affected Organization in an effort to have the interests charged waived. Further, the expenditure had not been budgeted for.

In the circumstances, accuracy and validity of interest payable on payroll deductions balance of Kshs.706,456,019 could not be confirmed.

50. Receivables from Exchange Transactions

The statement of financial position as disclosed in Note 27(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.1,001,255,396. The following unsatisfactory matters were noted;

50.1 Long Outstanding Imprests

Included in the balance is long outstanding imprests balance of Kshs.107,167,608 dating as far back as 2014. However, no recoveries have been made from the salaries of the defaulting officers, contrary to Regulation 92 of the Public Finance Management (National Government) Regulations, 2015 which states that 'a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Further, no interest has been levied on the outstanding imprest pursuant to the provisions of Regulations 92'.

50.2 Long Outstanding Student Debtors

Included in the balance is student debtors balance of Kshs.848,321,383 which includes a balance of Kshs.360,187,445 due from students who have left the University. Management had neither made efforts to recover the amount which have been outstanding for over five (5) years nor adjusted the amount for likely impairment in accordance with the University's Credit Control and Debts Management Policy, 2015 which requires write off of debts that are older than five (5) years.

In the circumstances, accuracy and recoverability of receivables from exchange transactions balance of Kshs.1,001,255,396 could not be confirmed.

51. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects accumulated deficit balance of Kshs.6,624,709,168 comprising the deficit for the year of Kshs.1,527,902,227 and unsupported prior year adjustment of Kshs.1,606,224,206.

In the circumstances, the accuracy and completeness of the accumulated deficit balance of Kshs.6,624,709,168 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

52. Unauthorized Bank Overdraft

The statement of financial position and as disclosed in Note 26(c) to the financial statements reflects negative cash balance (bank overdraft) balance of Kshs.261,600,780.

Review of the available records revealed that, the University's bank account was overdrawn to the tune of Kshs.239,167,819 without authority from The National Treasury, contrary to the provisions of Regulation 82(7) of the Public Finance Management (National Government) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by The National Treasury. Management indicated that the bank overdraft was approved by the University Council.

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

53. Unremitted Staff Deductions

The statement of financial position reflects trade and other payables balance of Kshs.7,340,485,835 as disclosed in Note 32(a) to the financial statements. Included in the balance is payroll payables comprising of salary deductions and pension contributions totalling Kshs.6,105,227,546 which had not been remitted to the statutory entities, contrary to the Section 37(1) of the Income Tax Act, 2012 which states that 'an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts.

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

54. Stalled Projects

As reported in the previous year report, included in the work-in-progress balance of Kshs.912,668,913 reflected in the statement of financial position and Note 30(b) to the financial statements are stalled projects valued at Kshs.435,545,277. The projects status of the stalled projects remains unchanged.

In the circumstances, the completion of the projects remains doubtful, and amounts spent of Kshs.435,545,277 has not benefited the intended beneficiaries.

55. Computer Maintenance

The statement of financial performance and as disclosed in Note 16 to financial statements reflects administration and central services amount of Kshs.1,188,118,035. The amount includes computer maintenance amounting to Kshs.5,371,360. However, the expenditure exceeds the budget of Kshs.1,932,554, resulting to unauthorized expenditure of Kshs.3,438,806, contrary to Regulation 51(2) and (3) of the Public Finance Management (National Government) Regulations, 2015 which states that 'expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets. The Accounting Officer of that Government entity shall make an expenditure commitment only against the procurement plan approved for that entity in accordance with the Public Procurement and Disposal Act, 2005 and the Regulations made thereunder'.

67. Irregular Issuance of Imprests

The statement of financial position and as disclosed in Note 10 to the financial statements reflects trade and other receivables balance of Kshs.2,876,450,011 which includes recoverable imprests totalling Kshs.216,505. However, review of the imprest documents provided for audit revealed that outstanding imprests totalling Kshs.376,473 for three (3) officers were not included in the financial statements while the comprehensive listing of all the outstanding imprests as at 30 June, 2022 was not provided for audit. Further, review of the imprests register maintained by the University's Mombasa Campus, revealed that five (5) staff members were issued with multiple imprests totalling Kshs.591,050, contrary to Regulation 93(4) (b) and (c) of the Public Finance Management (National Government) Regulations, 2015 which provides that 'before issuing temporary imprests under Paragraph (2), the Accounting Officer shall ensure that the applicant has no outstanding imprests and that the applicant has been recorded in the imprest register including the amount applied for'.

In addition, eleven (11) staff members did not surrender the imprests issued totalling Kshs.1,634,997 within the specified time in the imprests register, contrary to Regulation 93(5) which provides 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, Management was in breach of the law.

68. Unauthorized Over-Expenditure on Rent and Rates (Residential)

The statement of financial performance and as disclosed in Note 5(iv) to the financial statements reflects JKUAT Campus running costs of Kshs.407,251,783. Included in this expenditure is Kshs.5,546,150 in respect of rent and rates (residential) for Kitale Campus against a budget of Kshs.3,500,000, resulting to unapproved over expenditure of Kshs.2,046,150. In addition, the expenditure included Kshs.13,156,252 in respect of rent and rates (residential) for Kisii Campus against a budget of Kshs.12,000,000, resulting to unapproved over expenditure of Kshs.1,156,252, contrary to Regulation 31(2) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires that the Accounting Officer is responsible, in particular for ensuring that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her or his national Government entity during the financial year and that the estimates prepared are complete and accurate as possible.

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

69. Students Graduating with Fee Balances

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a trade and other receivables balance of Kshs.2,876,450,011 which includes student debtors balance of Kshs.2,873,396,039. Review of student debtors list revealed that two thousand and twenty-nine (2,029) students who graduated in November, 2021 and June, 2022 had unsettled fee balances totalling Kshs.62,434,016, contrary to the University's fee payment policy that requires bonafide list of eligible students compiled by

Academic Affairs Registrar in consultation with the student finance office for a student to sit for university examinations.

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

70. Non-Compliance with Minimum Requirements on Employee Ethnic Composition

The statement of financial performance and as disclosed in Note 5(i) to the financial statements reflects personal emoluments of Kshs.5,068,043,428 in respect of two thousand five hundred and eighty-three (2,583) members of staff. Review of employee records for the University revealed that one thousand one hundred and sixty-two (1,162) or 45% of the members of staff are from one (1) ethnic community, resulting to 12 percentage points above the 33% threshold. In addition, the University Management recruited twenty-four (24) staff members during the year under review, out of which twelve (12) or 50% were from one (1) community, contrary to the provisions of National Cohesion and Integration Act, 2008 Section 7(1) and (2) 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.

71. Non-Compliance with Deduction and Remittance of Statutory Dues

The statement of financial position and as disclosed in Note 12 to the financial statements reflects trade and other payables balance of Kshs.7,238,712,571 which includes sundry creditors amounting to Kshs.6,376,060,600. Review of creditors ledger provided for audit revealed that pension contributions by both the employee and employer totalling Kshs.164,862,301 and Kshs.2,254,308,571 respectively had been outstanding since 30 October, 2015, contrary to Section 19 of the Employment Act, 2007 which provides that 'an employer may deduct from the wages of his employee - (a) any amount due from the employee as a contribution to any provident fund or superannuation scheme or any other scheme approved by the Commissioner for Labour to which the employee has agreed to contribute'.

Further, the University regularly filed monthly Pay as You Earn (PAYE) returns with Kenya Revenue Authority, but had not remitted PAYE totalling Kshs.2,666,338,777 to the Authority, out of which Kshs.230,443,581 related to the year under review. The balance of Kshs.2,435,895,196 has been outstanding since 30 March, 2017, contrary to Section 37 of the Income Tax Act, 2012 on deduction of tax from emoluments. In addition, the trade and other payables balance included Kshs.3,693,850 owing to National Hospital Insurance Fund (NHIF), contrary to Section 16 of the NHIF Act, 2021 on standard contributions. No explanation was provided for non-remittance of the statutory dues.

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

72. Irregular Procurement of Goods, Works and Services

Review of procurement records revealed several unsatisfactory issues on procurement for goods, works and services as indicated below:

72.1 Irregular Procurement of Goods by Use of Imprest

The statement of financial performance and Note 5(ii) to the financial statements reflects academic costs of Kshs.271,319,735. Review of sampled payment vouchers under this expenditure revealed that Management issued imprests totalling Kshs.4,305,900 to sixteen (16) officers for purchase of teaching materials contrary to Regulation 91(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that for the purposes of this Regulation and Regulations 92, 93, and 94, an imprest means a form of cash advance or a float which the Accounting Officer may authorize to be issued to officers who in the course of duty are required to make payments which cannot conveniently be made through the cash office of a Government entity or bank account.

72.2 Unjustified Use of Direct Method of Procurement of Goods

The statement of financial performance and Note 4(i) to the financial statements reflects income from other services rendered totalling Kshs.44,777,471. Review of the payment vouchers and other supporting documents revealed that the University procured directly raw materials worth Kshs.4,668,900 from a local chemicals supplier for production of hand sanitizers, liquid soap and detergents. Management used the direct method of procurement without justification, contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on when direct procurement may be used. In addition, the prior approval in writing by the Accounting Officer for use of the direct procurement method was not provided, contrary to Regulation 90(6) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that any direct procurement shall require the prior approval of the Accounting Officer in writing. Management did not report the direct procurement to the Public Procurement Oversight Authority (PPOA) within fourteen (14) days after the notification of the award of the contract contrary to Regulation 90(1)(b).

72.3 Irregular Procurement of Library Book Detector

The statement of financial position and Note 8 to the financial statements reflects property, plant and equipment balance of Kshs.24,152,064,627 which included computer and equipment purchased during the year totalling Kshs.14,178,298. An expenditure of Kshs.2,382,258, out of the total expenditure on purchase of computer and equipment related to purchase of library book detector.

Review of procurement records revealed that Management used restricted tendering method of procurement for supply and delivery of main library book detector where tender documents from six (6) bidders were returned with all qualifying. The lowest bidder quoted Kshs.1,982,000. Review of preliminary and technical evaluation documents revealed that only two (2) companies qualified in the technical evaluation stage and proceeded to due diligence stage where one (1) of the two (2) qualifiers was disqualified on account of lack of practical experience. Further, even though the tender evaluation committee recommended the winner of the tender, the company had quoted Kshs.3,164,831 which was far above the market price of Kshs.2,000,000. The committee therefore recommended re-advertisement of the tender in the next financial year.

However, the committee entered into negotiation eight (8) months after their recommendation where the company reduced the bid to Kshs.2,382,258, contrary to their earlier recommendation and Regulation 90(1)(d) of the Public Procurement and Asset Disposal Regulations, 2020 which provides for negotiation only in direct procurement method.

72.4 Irregular Procurement of Examination Booklets

The statement of financial performance and Note 5(viii) to the financial statements reflects central services cost of Kshs.1,118,629,070 which included publishing and printing costs totalling Kshs.8,764,598. An expenditure of Kshs.3,300,000 out of the publishing and printing costs related to supply of examination booklets. Management floated restricted tender for supply and delivery of examination booklets with specifications from four (4) pre-qualified suppliers. The tender evaluation committee on 01 December, 2020 recommended the award of the tender to a local company being the lowest evaluated bidder at a cost of Kshs.6,900,000. A professional opinion was issued on 01 December, 2020 with a price analysis recommending the company to be considered for the tender.

However, the tender was not executed and approval of the tender award by the Accounting Officer and/or the cancellation was not provided for audit verification. Information available indicated that the Chief Procurement Officer reached out to the company about three (3) months later to negotiate a new quotation with change of specification of the examination booklets where the company submitted a revised quotation of Kshs.3,300,000.

The Chief Procurement Officer subsequently issued a new professional opinion recommending the award of the tender to the company. However, there was no recommendation from the tender committee nor evidence to show that the change of specification was from the user department. In addition, negotiation with suppliers is only allowed in direct procurement as per Regulation 90(1)(d) of the Public Procurement and Asset Disposal Regulations, 2020.

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

73. Idle Assets

The statement of financial position and Note 8 to the financial statements reflect property, plant and equipment balance of Kshs.24,152,064,627. Included in this balance is land valued at Kshs.16,566,692,200 out of which two (2) parcels of land valued at Kshs.19,792,200 are situated in Rwanda. Review of records provided for audit revealed that Management closed the operations of Kigali, Rwanda campus in December, 2017. In addition, the land includes a parcel at Westlands valued at Kshs.400,000,000 and buildings valued at Kshs.40,000,000. Management closed Westlands Campus operations in December, 2018. The assets domiciled at the two (2) closed campuses were not in use during the year under review, contrary to Regulation 139(2) of the Public Finance Management (National Government) Regulations, 2015 which provides that 'the Accounting Officer shall ensure that processes and procedures both electronic and

manual are in place for the effective, efficient, economical and transparent use of the Government entity's assets.

In the circumstances, there was no value for money on the idle assets and Management was in breach of the law.

74. Stalled Construction of Boundary Wall

The statement of financial position and as disclosed in Note 8 to the financial statements reflects property, plant and equipment balance of Kshs.24,152,064,627 which included Work in Progress (WIP) balance of Kshs.621,940,804. Out of this balance, is Kshs.50,698,799 in respect of construction of the University boundary wall. Review of the contract agreement revealed that in the year 2013, a construction company was awarded the contract for beautification of boundary wall from the main gate to Thika Superhighway at a cost of Kshs.68,836,283. The project status report revealed that the project works stopped in 2015 following a court case filed by Juja Community against the University, seeking an injunction restraining the University from erecting a perimeter/boundary wall, along the 35.5-meter-wide road, as this would hinder and or block access to the claimant property. A temporary order stopping the construction of the said wall was issued by Court on 22 September, 2015, pending the hearing and determination of the application. The Court visited the site and an agreement was reached before the parties to appoint professionals from both sides to redesign the project to take care of the concerns of the claimants in the matter.

On 7 February, 2022, the Court appointed a mediator to oversee the mediation process. Parties were able to discuss a partial mediation agreement on how the beautification can be conducted without affecting the plaintiffs' properties. The plaintiffs demanded a compensation of Kshs.347,000,000. However, there was no evidence provided to show whether the issue of compensation was discussed or approved by the Council. Physical inspection of the project carried out on 26 October, 2022 revealed that the wall had been vandalized as a result of abandonment and stalling of construction of the boundary wall which may lead to additional legal costs as compensation to the plaintiff affecting the University's operations. Although the matter had been taken out of court and mediation proceedings were ongoing and both parties were to record a consent settlement by 27 October, 2022, no evidence of such consent having been registered with the court was provided for audit.

In the circumstances, there was no value for money spent on the stalled project.

75. Stalled Water Bottling Plant

The statement of financial position and as disclosed in Note 8 to the financial statements reflected work-in-progress balance of Kshs.621,940,804, out of which a balance of Kshs.1,038,314 related to a water bottling plant project. Management had spent Kshs.18,299,677 or 50.2% of the contract sum on certified works for the proposed water bottling project as at 30 June, 2022.

Review of the documents provided for audit revealed that the 34th Building Committee meeting held in June, 2021 recommended the transfer of the project for completion by

JKUAT Enterprises limited. The hand over was approved in the 118th Full Council meeting of 21 July, 2021. However, the following anomalies were observed:

- i. The project was incomplete as at the time of the transfer and there was no explanation given as to why the University transferred an incomplete project to JKUAT Enterprises Limited.
- ii. The project contract was not provided and there were no details on how the project was to be funded to completion.
- iii. The project commenced in November, 2015 and the contract period was to last for six (6) months. However, Management did not provide explanations as to why the project was not completed within the stipulated time.
- iv. Details of previously certified works done in respect to the project were not provided.
- v. The project plant cost of Kshs.33,568,233 was capitalized and depreciated over the years yet the project was not put into economic use.

In the circumstances, the regularity of the total expenditure incurred so far of Kshs.19,337,991 on the water bottling plant could not be confirmed.

76. Delayed Construction of College of Engineering Technology Building

The statement of financial position and as disclosed in Note 8 to the financial statements reflected work-in progress balance of Kshs.621,940, 804 which includes a balance of Kshs.208,745,421 reported as balance brought forward for construction of College of Engineering and Technology (COETEC) lecture building. Review of documents provided for audit revealed that the construction of COETEC building began in May, 2019 with consultants from the School of Architecture and Building Science (SABS) projects office and JKUAT Enterprises Limited as the contractor with an initial contract sum of Kshs.208,748,245. In addition, review of project documents revealed that there was an approval for contract variation of Kshs.44,972,588 from the University Management, resulting to a final contract sum of Kshs.253,720,833.

Physical inspection carried out on 26 October, 2022 revealed that painting, plumbing and electrical works had not been done despite payments totalling Kshs.208,745,421 having been made to the contractor which is 99% of the initial contract price. It was further observed that the contractor had abandoned the site due to lack of funding and works had been suspended. Further, no additional work in progress was reported in the financial statements implying that the project might have stalled for the whole year.

In the circumstances, the University did not obtain value from money spent on the incomplete project.

77. Irregular Procurement of Extension Works of Administration Block

The statement of financial position and as disclosed Note 8 to the financial statements reflected work-in progress balance of Kshs.621,940,804 which includes extension of administration block amounting to Kshs.362,496,584. Review of documents provided for audit revealed that the University entered into a contract agreement with a local

company for construction of JKUAT new administration block at a contract sum of Kshs.285,919,713 and project duration of seventy-eight (78) weeks. During the 141st Council meeting, the Council approved contract variation of Kshs.62,447,206, thereby increasing the project total cost to Kshs.348,366,919. It was further noted that on 15 October, 2020, the contract was terminated after eight (8) years for a project which was supposed to take seventy-eight (78) weeks. Several other anomalies were noted as indicated below:

- i. The Project Quantity Surveyor together with the contractor's representative prepared a final account for work done totalling Kshs.270,675,346 which was signed on 21 May, 2021. However, the contractor had been paid Kshs.286,405,691 for valuation certificates No.1-18, resulting to an over payment of Kshs.15,730,345.
- ii. A bill for reduction of Kshs.54,962,921 was issued to the company for poor workmanship, resulting to the total recoverable from the company of Kshs.70,693,266. No information was provided to confirm that the amount was recovered.
- iii. The company was paid an amount of Kshs.9,483,983 as interest on delayed payments which could have been avoided through timely payment of certified valuation of works done.
- iv. Although the final project cost for extension of administration block was Kshs.348,366,919, the University had made payments totalling Kshs.362,496,584 to various contractors as at 30 June, 2022, resulting to overpayment of Kshs.14,129,665.
- v. Physical inspection carried out on 26 October, 2022 revealed that the project was about 80% complete. The records also indicate that the contractor and subcontractors suspended works on 15 July, 2022 due to unpaid certificates. The unpaid certificates may result to interest on delayed payments or claims.
- vi. Due to poor workmanship, some of the tiles done by the initial contractor but replaced by another contractor at an additional cost had also fallen off.
- vii. The Bill of Quantities provided for an underground parking which was built but was submerged in water and no corrective action had been taken.

In the circumstances, Management was in breach of the law and the University did not obtain value from money spent on the incomplete building.

78. Long Unutilized Research Grants

The statement of financial position and as disclosed in Note 7(a) to the financial statements reflects special accounts and grants balance of Kshs.573,617,087 which includes external research grants balance of Kshs.40,825,077. The external research grants have remained unutilized since 2019. No explanation was provided for the unutilized research grants.

In the circumstances, the University might not have obtained value from the long unutilized research grants amounting to Kshs.40,825,077.

79. Anomalies in Part-Time Department Costs

The statement of financial performance and as disclosed in Note 5(ii) to the financial statements reflects academic costs of Kshs.271,319,735 which includes part time-department costs amounting to Kshs.171,731,745. However, review of sampled payment vouchers totalling Kshs.23,299,317 revealed the following anomalies:

- i. Most of the class attendance registers were not signed by the chairman of the department. In addition, all the class attendance registers contained photocopied signatures of the Deputy Vice-Chancellor Academic Affairs as opposed to the original signatures.
- ii. Most of the appointments of part-time lecturers and acceptance of appointments had anomalies including appointments done after the semester had started, appointments done long after the semester had come to an end and acknowledgments of appointments before the dates of appointment.
- iii. Most of the claims for payment were made long after the services were rendered, some dated as far back as 2015 and no valid reason was provided for delay in making claims for the payment.

In the circumstances, Management did not obtain value for money totaling Kshs.23,299,317 spent on part time-department costs.

80. Idle Investment in JKUAT Noodles (Nissin Holdings Limited)

The statement of financial position and as disclosed in Note 13 to the financial statements reflects investments balance of Kshs.445,663,318 which included investment in JKUAT Noodles (Nissin Holdings Limited) balance of Kshs.418,881,000. Review of valuation report dated 28 August, 2020 for Nissin Holdings Limited revealed that the Company owned property, plant and equipment valued at Kshs.358,000,000. However, during the audit of the subsidiary company operations, it was observed that the Company had stopped production and all assets were idle.

In the circumstances, the University might not obtain value for money invested in the subsidiary company.

81. Non-Implementation of the E-Procurement System

During the year under audit, the University had not migrated to e-procurement system, contrary to the provisions of Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that e-procurement procedures for the supply of goods, works and services be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

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

82. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects budgeted final income of Kshs.7,725,140,167 and budgeted final expenditure of Kshs.7,724,028,593,

resulting to a budget surplus of Kshs.1,111,575, contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which states that 'unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, that at all times during budget formulation and approval it must be ensured that the budget shall be balanced'. Further, the statement reflects budgeted personal emoluments amounting to Kshs.5,258,621,546. However, the approved budget provided for audit reflects personal emoluments expenditure amounting to Kshs.5,242,041,252, resulting to an unreconciled variance amounting to Kshs.16,580,294.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

83. Weak Controls on Stores Management

Physical inspection carried out on JKUAT Kisii Campus and JKUAT Nakuru Campus stores revealed that there were no written authorized requisitions from the user departments for stationery. In addition, audit of the JKUAT Kisii Campus store revealed that there was inadequate store space for the inventory. The store was congested with inventory scattered everywhere with broken doors, chairs and tables. The printing papers were stored along corridors and on the floor, which is contrary to Section 160(1) and (2) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continuing utilization of supplies and to avoid unprofitable lock-up of funds, stocks shall be kept to the minimum necessary for the efficient conduct of the procuring entities.

Further, audit inspection of Kisii Campus and Nakuru Campus stores revealed that although there was a stock register that records what is received from central stores and what is issued, there was no fixed reorder level for the various stock as the orders were made whenever there was means of transport to JKUAT Main Campus to pick printing papers, envelopes and notebooks.

In the circumstances, it was not possible to confirm whether there were effective internal controls in relation to stores management and the University may end up with unnecessary stock in the store leading to deterioration and wastage or loss.

84. Weaknesses in the University Fees Policy

The statement of financial position and as disclosed in Note 10 to the financial statements reflects trade and other receivables balance of Kshs.2,876,450,011 which includes student debtors amounting to Kshs.2,873,396,039. Review of the student records revealed that there were seven thousand nine hundred and sixty-eight (7,968) students who were invoiced despite having outstanding fee balances amounting to Kshs.271,895,274 which were brought forward from the previous financial year. This led

to an increase in their debt balances as at 30 June, 2022, contrary to the fees policy that requires a student to have cleared fees balance before the start of the semester or by 12th week in case of installments.

Further, it was observed that the students did not defer their studies from previous semester as per the policy but instead went ahead to register for the new semester and subsequent invoices were auto-generated by the system upon registration. It was further noted that the system generated an invoice before validating the status of the student which shows weakness in the system.

In the circumstances, it was not possible to confirm existence of effective internal controls to ensure collection of outstanding students fees balances.

MASENO UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

85. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs.3,170,420,669 against actual expenditure of Kshs.3,343,310,507 resulting to an over expenditure of Kshs.172,889,838. Further, depreciation and amortization amounting to Kshs.162,424,602 had not been budgeted for, contrary to the requirements of the Public Sector Accounting Standard Board reporting template.

In addition, the statement reflects actual amounts on comparable basis of Kshs.8,966,667 in respect of other gains/(losses) which had not been budgeted for and which was not reflected in the statement of financial performance as an expenditure.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

86. Differences Between the Financial Statements and the General Ledger

The statement of financial performance reflects amounts that differ with the ledger amounts as detailed below:

Item	Amount as per the Financial Statements (Kshs.)	Amount as per the Ledger (Kshs.)	Variance (Kshs.)
Tuition Fees	1,188,156,641	1,188,458,401	301,760
Other Income	33,249,325	32,544,687	704,638
Employee Costs	2,391,029,181	2,391,006,077	23,104
Insurance (Note 17 to the Financial Statements)	3,965,785	4,924,282	958,497

The resulting variances were not explained nor reconciled.

In the circumstances, the accuracy and completeness of the statement of financial performance could not be confirmed.

87. Unsupported Rendering of Service - Tuition Fees

The statement of financial performance reflects a balance of Kshs.1,188,156,641 relating to rendering of service - tuition fees. Review of records revealed that the University had a total of 32,765 students out of whom 29,855 students were Government sponsored, while 2,910 students were self-sponsored. However, the University does not reconcile its enrolment data for the year with the billed data/income ledgers for the year. As a result, it is not possible to match the revenues with the number of students at any given time.

In the circumstances, the completeness and accuracy of the tuition fees amount of Kshs.1,188,156,641 could not be confirmed.

88. Unsupported Public Contributions and Donations for Research

The statement of financial performance reflects a balance of Kshs.95,042,248 relating to public contributions and donations for research as disclosed in Note 7 to the financial statements. The University's policy is to record research grants as income in the year that it is received. However, the details of the conditions attached and the period of utilization of these grants were not provided for audit.

In the circumstances, the accuracy and completeness of the public contributions and donations for research balance of Kshs.95,042,248 could not be confirmed.

89. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 22 to the financial statements reflects receivables from exchange transactions balance of Kshs.211,694,531. However, the imprest sub-ledgers and ageing analysis for the receivables provided for audit review revealed long outstanding debts amounting to Kshs.123,527,549 which the University is yet to recover.

Further, the ageing analysis indicates that debts were issued in respect of Kisumu Hotel and student debtors against a draft credit policy which had not been approved by the University Council.

In the circumstances, the recoverability of receivables from exchange transactions amounting to Kshs.211,694,531 could not be confirmed.

90. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.445,227,084. However, the supporting ledgers for trade payables amounting to Kshs.58,464,540 were not provided for audit.

In the circumstances, the accuracy, completeness and existence of trade and other payables amounting to Kshs.58,464,540 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

91. Non-Compliance with Public Finance Management Fiscal Responsibility Principles

The statement of financial performance reflects employee costs of Kshs.2,391,029,181 against the total revenue of Kshs.3,235,571,709 which resulted to 74% of the total revenue contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which requires that expenditure on compensation of employees shall not exceed 35% of revenue.

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

92. Failure to Observe One-Third Rule on Staff Composition

Review of the University's payroll for the month of June, 2022 revealed that out of the one thousand one hundred and thirty-one (1,131) employees, seven hundred and twenty-one (721) or approximately 64% were from the dominant community in the region. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 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 institution shall have more than one-third of its staff establishment from the same ethnic community.

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

93. Dormant Bank Accounts

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a cash and cash equivalents balance of Kshs.152,515,384. However, the University held a total of Kshs.7,068,334 in five (5) dormant bank accounts. Although the Management explained that letters had been written to the bank to close the dormant bank accounts, the financing agreements for the projects indicating the administration of the bank accounts and the University Council minutes approving the closure of the bank accounts were not provided for audit.

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

94. Failure to Operate Special Purposes Accounts

The statement of financial position and as disclosed in Note 28 to the financial statements reflects Kshs.445,227,084 in respect of trade and other payables from exchange transactions. The balance includes retention fees on construction contracts balance of Kshs.124,533,679, Chancellor's Scholarship Fund of Kshs.3,430,000, and Siaya County advances of Kshs.5,000,000. However, the deposits were held in the University's operations accounts and not in a special purpose account meant for the specific intended purposes. Further, the Siaya County advances and Chancellor's Scholarship Fund are based on undisclosed arrangements between the University and fund initiators.

In addition, Note 29 to the financial statements reflects refundable deposits from customers in respect to current and non-current portions of students caution money

amounting to Kshs.42,318,000. However, the monies are held in the operations account and not a designated deposit account.

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

95. Unlawful Extension of Construction Contract

The statement of financial position reflects property, plant and equipment balance of Kshs.6,594,778,223 which, as disclosed in Note 25 to the financial statements includes construction of tuition block complex awarded to a contractor on 13 March, 2017 at a contract sum of Kshs.478,704,822 for a period of 104 weeks. On 5 February, 2019, the contractor requested for a 48 weeks contract extension which was granted on 18 February, 2019. Further, on 20 January, 2020, the contractor applied for a second extension for a period of 29 weeks, but 20 weeks extension was granted on 17 March, 2020 contrary to Section 88(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that an extension of a tender shall be restricted to not more than thirty days and may only be done once.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

96. Delay in Appointment of a Substantive Chancellor

The Gazette Notice dated 24 January, 2014 appointed Michael Joseph as the Chancellor of Maseno University, with effect from 6 January, 2014, for a period of five years ending 6 January, 2019. Therefore, the University did not have a substantive Chancellor following the expiry of the term of the former Chancellor. A special Senate meeting was held on 23 March, 2022 and proposed five (5) nominees for the Chancellor's position to the Principal Secretary, State Department for University Education and Research. However, as at the time of audit in February, 2023, no appointment had been made.

In the circumstances, the effectiveness of the University's overall governance and its core mandate of conferring degrees and granting diplomas could not be confirmed.

CHUKA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

97. Lack of Land Ownership Documents

As previously reported, the statement of financial position reflects Net Book Value (NBV) on property, plant and equipment balance of Kshs.7,784,517,185 as disclosed in Note 29 to the financial statements which includes a balance of Kshs.1,097,670,205 with respect

to land. However, Management disclosed balance of Kshs.25,000,000 relating to a parcel of land in Karingani/Ndagahi whose ownership documents had not been obtained.

In the circumstances, the ownership of the land balance of Kshs.25,000,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

98. There were no material issues relating to lawfulness and effectiveness in use of public resources.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

99. There were no material issues relating to effectiveness of internal controls, risk management and governance.

DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

100. Long Outstanding Student Debtors

The statement of financial position reflects receivables from exchange transactions balance of Kshs.222,332,642 which includes student debtors balance of Kshs.173,707,110 as disclosed in Note 32 to the financial statements. The student's debtors included a balance of Kshs.168,668,015 that has been outstanding for more than one year despite being collectable within one financial year.

In the circumstances, the completeness and recoverability of student debtors balance of Kshs.168,668,015 could not be confirmed.

101. Long Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.252,625,511 as disclosed in Note 41 to the financial statements. The trade and other payables include a balance of Kshs.122,699,131 that has been outstanding for more than one year. However, no Management strategies and controls are put in place to clear payables.

In the circumstances, the accuracy and completeness of the long outstanding trade and other payables from exchange transactions could not be confirmed.

102. Long Outstanding Employees Benefit Obligations

The statement of financial position reflects employees benefits obligations balance of Kshs.47,621,705 as disclosed in Note 46 to the financial statements, out of which a balance of Kshs.23,183,669, relates to pension arrears which have been outstanding since 2010/2011 to 2016/2017 periods for unexplained reasons. The University is likely to incur interests and penalties on the non-remitted pension contributions.

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

103. Material Uncertainty Related to Going Concern

The University recorded a deficit of Kshs.26,931,968 compared to a deficit of Kshs.56,102,502 recorded in the previous year increasing the accumulated deficit from Kshs.294,694,476 to Kshs.321,626,444 respectively. In addition, the total current liabilities balance of Kshs.410,536,386 exceeded the total current assets balance of Kshs.266,858,918, resulting in negative working capital balance of Kshs.143,677,468.

The financial position and performance of the University is an indication of the existence of material uncertainty which may cast doubt on the University's ability to continue to sustain its services and to meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the National Government and its creditors.

Management has disclosed the material uncertainty related to going concern/sustainability of services in Note 5 to the financial statements with the following strategies to mitigate the material uncertainty:

- i. Increasing the students population through improving the existing infrastructural development and attract more capitation under differential unit cost model.
- ii. Savings on human resource operational costs through restructuring strategy of merging administrative units from the initial three to two divisions.
- iii. Raising more revenue through the commercial arm of the University (DeKUTES) from consultancies and conferences and rehabilitation of coffee farm to raise additional 70 million annually.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

104. Delayed Completion and Cost Escalation on Construction of an Academic Block

The statement of financial position reflects property, plant and equipment balance of Kshs.6,035,466,103 and includes capital work-in-progress balance of Kshs.1,378,211,300 as disclosed in Note 36 and 37 to the financial statements respectively. As previously reported, included in the balance is an amount of Kshs.49,647,285 spent on construction of Academic Block Phase II during the year under

review. The Project has taken over 10 years and is still incomplete. Further, the construction cost for the Project cumulatively amounts to Kshs.249,731,178, since inception, which is more than the initial contract cost of Kshs.157,100,200. This translates to a cost escalation of Kshs.92,630,978 or 59% of the original contract sum.

In the circumstances, the public may not have realised value for money on the expenditure amount of Kshs.249,731,178.

105. Failure to Remit Income Tax (PAYE)

The statement of financial performance reflects remuneration of the Council amount of Kshs.7,415,731 as disclosed in Note 18 to the financial statements. However, Pay As You Earn (PAYE) amounting to Kshs.27,040 was deducted and not remitted to Kenya Revenue Authority, contrary to Section 37(1) of Income Tax Act Cap 470, which states that 'an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed'.

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

106. Failure to Adhere to a Third Rule on Basic Salary

Audit review of the University's payroll revealed that, forty-six (46) employees earned net salaries which were below one-third of their basic pay. This is contrary to Section 19(3) of the Employment Act, 2007, which states that, "without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of Subsection (1), may be made by the employer from the wages of his employee at any time shall not exceed two-thirds of the basic salary".

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

107. Non-Compliance with Law on Ethnic Composition

Audit review of the personnel records and establishment revealed that the University's total number of employees was five hundred and forty-five (545), out of which three hundred and sixty-three (363) or 66.6% comprised staff from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 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.

108. Delayed Filling of Acting Positions

Audit review of records of the University revealed that an amount of Kshs.811,794 was paid as acting allowance to five (5) employees who had been in an acting capacity positions for a period of more than six (6) months. This was contrary to the University's Human Resource Manual, which provides that the period of acting appointment shall not exceed a period of six months in any particular case.

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

109. Failure to Have Properly Constituted Inspection and Acceptance Committees

The statement of financial performance and as disclosed in Note 16 reflects use of goods and services amount of Kshs.105,410,805, which includes payments made to two firms of Kshs.1,266,729 for the supply of goods and services. Review of documentation provided showed that only one member of the inspection and acceptance committee signed the inspection and acceptance certificates and there was no appointment letters of the inspection and acceptance committee members. This was contrary to Section 48(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that the inspection and acceptance committee shall be appointed by the Accounting Officer or the head of the procuring entity on the recommendation of the procuring unit.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

110. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KISII UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

111. Long Outstanding and Unsupported Fees Balances

The statement of financial position and as disclosed in Note 15 to the financial statements reflects receivables from exchange transactions balance of Kshs.126,943,000 which is net of provision for bad debts of Kshs.6,681,000. The amount includes fees balances amounting to Kshs.131,221,000 which have been outstanding for a long period of time. This is contrary to the University regulations which require students to pay fees before receiving services. Further, a schedule in support of the fees balances was not provided for audit review. In addition, it was not possible to generate the student fee balances report from the students management system.

In the circumstances, the accuracy, completeness and recoverability of the long outstanding fees arrears of Kshs.131,221,000 could not be confirmed.

Emphasis of Matter

112. Material Uncertainty Related to Sustainability of Services

I draw attention to Note 5(b) to the financial statements, which indicates that the University incurred a deficit of Kshs.30,226,000 during the year under review and accumulated

deficit of Kshs.487,677,000 as at 30 June, 2022. In addition, the University's current liabilities totalling Kshs.786,940,000 exceeded its current assets of Kshs.215,492,000 as at 30 June, 2022, resulting to a negative working capital of Kshs.571,448,000. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the University's ability to continue to sustain its services. Management indicated that the University's future depended on the continued financial support from the National Government and creditors.

My opinion is not modified in respect of this matter.

Other Matter

113. Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under report on the financial statements, report on lawfulness and effectiveness in use of public resources and report on effectiveness of internal controls, risk management and governance. However, Management had not resolved these issues as at 30 June, 2022 and no satisfactory reasons were provided for failure to resolve the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

114. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.2,125,470,000 and actual receipts of Kshs.2,219,904,000, resulting in a revenue surplus of Kshs.94,434,000. The surplus was attributed to income received from income generating units amounting to Kshs.95,909,000 which had not been included in the budget. Further, the University spent Kshs.2,250,130,000 against a budget of Kshs.2,125,470,000, resulting in an over-expenditure of Kshs.124,660,000 or 6% of the budgeted amount. However, approval for the over expenditure of Kshs.124,660,000 by the University Council as required by Section 44(2) of the Universities Act, 2012 was not provided for audit.

In the circumstances, the regularity of the over expenditure of Kshs.124,660,000 could not be confirmed.

115. Partial Implementation of E-Procurement System

Review of the procurement processes revealed that Management had not fully implemented the e-procurement system, contrary to Regulation 49(2) of the Public Procurement and Assets Disposal Regulations, 2020, which provides that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out using an e-procurement system which is integrated to the State Portal.

In the circumstances, the efficiency and effectiveness of the procurement processes could not be confirmed. Further, Management was in breach of the law.

116. Trade and Other Payables from Exchange Transactions

116.1 Non-Remittance of Staff and Statutory Deductions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.750,829,000 which, as disclosed in Note 17 to the financial statements, includes unremitted University staff pay and deductions of Kshs.453,794,000. Review of the aging analysis of the balance revealed that the deductions had exceeded the statutory remittance period.

Failure to remit the statutory deductions on time may result in the University incurring interests and penalties.

117. Retention Monies Not Deposited in Retention Account

Review of payments in respect of acquisition of permanent works revealed that retention monies totalling to Kshs.9,142,000 were deducted from contractors but were yet to be deposited into a retention bank account. Therefore, the retained amounts which were due to contractors may have been utilized for purposes other than those intended. Further, there was no indication that Management will be able to pay the retained amounts when they fall due.

118. Acting Appointments Beyond Six Months Period

Review of personnel records revealed that eighteen (18) employees, including Management staff, were serving in acting positions, and continued to draw acting allowances for those positions. Further, the employees had been serving in acting capacities for periods beyond the six months provided in the Human Resource Policies and Procedure Manual for Public Service.

In the circumstances, Management was in breach of the public service policies and practices.

119. Non-Compliance with Law on Ethnic Composition

Review of employees records revealed that 70% of employees of the University were from one ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

120. Failure to Appoint a Chancellor of the University

Review of governance and management records revealed that the University had operated for the past five (5) years without a Chancellor, after the expiry of the term of

the immediate former Chancellor in February, 2018. The University hierarchy was therefore not properly constituted which hindered strategic decisions and leadership.

In the circumstances, decisions made by the University Council during the period may not be binding.

121. Lack of Business Continuity and Disaster Recovery Plan

During the year under review, the University did not have in place an Information System, Disaster Recovery Plan and a Business Continuity Plan. Therefore, there was no documented process to guide mitigation against any events affecting the information systems, information recovery and business continuity.

In the circumstances, the security of the University's information system could not be guaranteed.

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

122. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects negative prior year adjustment balance of Kshs.490,829,932 in respect of capital grants reserve. However, documents in support of the adjustment were not provided for audit review. Further, the adjustment was not made in accordance with Paragraph 47 of IPSAS 3 which requires that prior year adjustments should be made by way of restating the comparative amounts for prior periods presented in which the errors occurred.

In the circumstances, the accuracy and completeness of the negative prior year adjustment balance of Kshs.490,829,932 could not be confirmed.

123. Unsupported Revenue Reserves

The statement of cash flows reflects a balance of Kshs.19,181,731 in respect of revenue reserves. However, the balance was not supported.

In the circumstances, the accuracy and completeness of the revenue reserves balance of Kshs.19,181,731 could not be confirmed.

124. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.562,494,485 which, as disclosed in Note 21 to the financial statements, comprises balances of Kshs.561,159,771 held in ten (10) bank accounts and a balance of Kshs.1,334,715 indicated as bankings awaiting clearing. However, the following anomalies were noted:

- (i) The bank reconciliation statement for student deposits account for the month of June, 2022 reflects direct bankings totalling to Kshs.339,506 not reflected in the cash book. The bankings were made between March and June, 2022. No explanation was provided on the failure to update the cash book with these receipts. Further, the bank reconciliation statement reflects receipts in the cash book not recorded in the bank statements totalling to Kshs.60,000. No explanation was provided for the failure to bank the receipts.
- (ii) In addition, the bank reconciliation statement for the month of June, 2022 for payments bank account reflects payments in bank statements totalling to Kshs.1,901,143 not recorded in the cash book. The payments relate to the period between March, 2020 and April, 2022. No explanation was provided for the failure to update the cash book with the payments.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.562,494,485 could not be confirmed.

125. Long Outstanding Student Debtors

The statement of financial position reflects a net balance of Kshs.822,396,302 in respect of receivables from exchange transactions, as disclosed in Note 22 to the financial statements which includes an amount of Kshs.877,547,665 relating to student debtors. Verification of the ageing analysis provided revealed that only debtors amounting to Kshs.66,182,396 are current while the balance of Kshs.811,365,269 were old debtors. Further, out of these amounts, debtors amounting to Kshs.577,060,683 were indicated to be over three hundred and sixty-six (366) days outstanding. No explanation was provided for the failure to recover the old outstanding student debtors.

In the circumstances, the collectability of the long outstanding debtors balance of Kshs.811,365,269 is doubtful.

Other Matter

126. Unresolved Prior Year Matters

In the audit of the previous year, several issues were raised in the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Management had indicated in the progress on follow-up of prior year auditor's recommendations section that some issues have been resolved while others have not been resolved. However, no explanation and documentary evidence were provided on how the issues indicated as resolved were resolved and why the rest of the issues have not been resolved.

127. Outstanding Co-operative Bank Debt

Note 44 to the financial statements reflects a balance of Kshs.18,279,389 which comprises of a principal amount of Kshs.7,396,900 and Interest of Kshs.10,882,489 relating to amount owed to the University by a local bank. This was reversals effected by the Bank on the account in 2012 without reference to the Management. Although the

Management indicated that they lodged a claim for the same, there was no acknowledgement from the Bank of receipt of the claim.

In the circumstances, the recoverability of the amount could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

128. Outstanding Imprests

The statement of financial position, and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.19,491,150 relating to receivables from non-exchange transactions. The balance comprises of imprest, amount of Kshs.2,118,960 owed by staff who have since left employment. No explanation was provided for failure to surrender the long outstanding imprests. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall surrender or account for the imprest within seven (7) working days after returning to duty station.

In the circumstances, the recoverability of the debt is in doubt.

129. Delay in Completion of Construction of Olympic Size Swimming Pool

The statement of financial position reflects a balance of Kshs.5,090,606,934 in respect of property, plant and equipment, as disclosed in Note 25 to the financial statements, which includes a balance of Kshs.372,453,120 relating to Work-In-Progress. The balance includes an amount of Kshs.37,725,177 incurred for construction of Olympic Size Swimming Pool within the University compound. However, audit of the Project revealed the following issues,

- i. The University awarded the contract to a local contractor at a contract sum of Kshs.78,200,692 with a contract period of fifty-two (52) weeks commencing 29 July, 2021 and scheduled for completion on 30 June, 2022. However, an extension of twenty-six (26) weeks was granted pushing the new completion date to 26 January, 2023;
- ii. Project inspection carried out in the month of January, 2023, revealed that the Project was still incomplete. The progress report dated 12 January, 2023 showed that the Project was at 65% completion.

In the circumstances, the University did not obtain value for money from the Project.

130. Non-Compliance with Law on Fiscal Responsibility - Wage Bill

The statement of financial performance, as disclosed in Note 12 to the financial statements, reflects an amount of Kshs.2,287,560,365 relating to employee costs. The amount represents 72% of the University's total revenue of Kshs.3,167,450,549 during the year under review. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that expenditure on the compensation of employees shall not exceed 35% of the revenue.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

131. Lack of Controls Over Personnel and Payroll Data

Verification of the University's payroll for the year under review revealed that the payroll did not have the employee's bio data and other important details such as name - surname, first name and other names, gender, ethnic code, job group, academic qualification, date of birth, date of employment, month of increment, date of payment and bank code. In addition, both earnings and deductions were not synchronized within the same sheet of the payroll for different months of the financial year.

Further, it was observed that the payroll still contains details of employees who have already exited the University either by retirement or natural attrition, thereby making the payroll gullible to human manipulation.

In the circumstances, the reliability of the payroll data could not be confirmed.

PWANI UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

132. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The statement of financial position reflects current liabilities balance of Kshs.282,169,000 which exceeded the total current assets balance of Kshs.220,446,000, resulting in a negative working capital of Kshs.61,723,000. This is an indication that the University may not be able to settle its obligations as and when they fall due and the existence of a material uncertainty, which casts doubt on the University's ability to sustain its services and its existence is dependent on continued support from Government and creditors.

However, this material uncertainty relating to sustainability of services and measures taken to mitigate the undesirable financial position have not been disclosed in the financial statements.

Other Matter

133. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

134. Non-Compliance with Unclaimed Financial Assets Act, 2011

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

Management has informed the sponsors in writing of the situation in compliance with Section 9 and 19(1) of the Unclaimed Financial Assets Act, 2011 which states that "a deposit made by a subscriber with a utility to secure provision of services or any sum paid in advance for utility services to be furnished, that remains unclaimed by the owner for more than two years after termination of the services for which the deposit or advance payment was made shall be presumed abandoned and a holder of assets to which this Act applies shall make all reasonable efforts to locate the owner and to notify the owner about those assets". However, no responses had been received as at the time of audit in January, 2023.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

135. There were no material issues relating to effectiveness of internal controls, risk management and governance.

THE TECHNICAL UNIVERSITY OF KENYA

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

136. Inaccuracies in the Revenue Amount from Exchange Transactions

The statement of financial performance reflects an amount of Kshs.961,527,179 in respect of revenue from exchange transactions and as disclosed in Note 8(a) to the financial statements. Review of records on student enrollment and invoicing

revealed that during the year under review, seventeen thousand eight hundred and seventy-three (17,873) students were registered and invoicing was undertaken in July and October, 2021 and January and April, 2022. However, four thousand six hundred and eighty-three (4,683) students were not invoiced in July, 2021, six thousand one hundred and twenty-four (6,124) in October, 2021, while six thousand and one (6,001) students were not invoiced in January and April, 2022. In addition, ten (10) students were not invoiced during the four invoicing times. No reason was provided for failure to invoice the students.

Further, revenue amount from exchange transactions included other income and rental income amount of Kshs.30,778,365 and Kshs.3,154,250, respectively. However, documents in support of these revenue streams were not provided for audit review which included:

- i. List of students under KUCCPS and self-sponsored students
- ii. Most current Fees structures
- iii. Fees distribution per module
- iv. List of students with fees arrears
- v. List of students with fees arrears but have graduated
- vi. M-pesa statements and pay bill numbers for fee collection, senior staff common room and hotel accommodation
- vii. Banking deposit for revenue under other incomes
- viii. List of rentals

In the circumstances, the accuracy and completeness of the revenue amount from exchange transactions amount of Kshs.995,459,794 could not be confirmed.

137. Inaccuracies in the Employees Costs

The statement of financial performance reflects employee costs amount of Kshs.3,000,688,256. However, the note to the financial statements reflects an amount of Kshs.2,996,671,577 resulting to an unexplained variance of Kshs.4,016,679. Further, the reference Note is 6(a) instead of Note 9. In addition, the expenditure includes an amount of Kshs.17,921,156 and Kshs.10,212,921 in respect of domestic travel and foreign travel respectively. The expenditure relates to local and foreign travel expenses including local and foreign subsistence allowances, passage and baggage allowances which were supposed to have been charged under use of goods and services.

In the circumstances, the accuracy of the employee costs of Kshs.3,000,688,256 could not be confirmed.

138. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs.26,135,736 which includes balances

in seventeen (17) bank accounts whose certificates of bank balances and bank reconciliation statements were not provided for audit verification. Further, the list of all Bank accounts under its operation, date they were opened, purpose of opening and the approval for opening and maintaining the bank accounts were not provided. In addition, the cash and cash equivalents balance include a balance in a fixed deposit account which was an investment and was not disclosed as so.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.26,135,736 could not be confirmed.

139. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from exchange transactions balance of Kshs.1,346,042,591. Included in this balance are outstanding student fee balances totalling Kshs.1,495,602,879 some of which appear to be long outstanding and uncollectible.

Management made a provision of 10% for bad and doubtful debts amounting to Kshs.149,560,288 which appear inadequate to cover the long outstanding fee balances all of which appear unrecoverable.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,346,042,591 could not be confirmed.

140. Unsupported Receivables from Non-Exchange Transactions Balance

The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.13,590,826. Included in the balance are balances from the previous years of Kshs.104,350, Kshs.500,000 and Kshs.562,501 in respect of Nyayo Vehicle Project, dishonoured cheque and Ministry of Education respectively which appear unrecoverable. The supporting schedules in respect of these long outstanding receivables were not provided while no explanation was provided as to why the debts have not been recovered. No documentary evidence was provided in form of correspondences with the debtors showing efforts made by Management to recover the outstanding balances. Management made a provision of 10% for bad debts amounting to Kshs.557,424 which appear inadequate to cover the long outstanding balances. Further, included in the balance is Kshs.5,971,037 and Kshs.2,602,972 in respect of outstanding staff imprest and staff advances respectively. The University did not provide any supporting documentation to support the receivables.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.13,590,826 could not be confirmed.

141. Inaccuracies in the Current Liabilities

The statement of financial position reflects a balance of Kshs.5,342,875,861 in respect of current liabilities. Included in this balance is Kshs.2,725,329,733 in respect of trade and other payables, Kshs.114,741,129 in respect of refundable deposits and Kshs.2,502,804,999 in respect of unremitted employee benefit obligation contrary to

Section 53A(1) of the Retirement Benefits Act, 2012 that requires an employer to remit employee's pension emoluments within fifteen (15) days of the deduction and may incur penalties prescribed in Section 53A(3). Further, the current liabilities include balances that have been outstanding for more than one year.

In the circumstances, the accuracy and completeness of the current liabilities balance of Kshs.5,342,875,861 could not be confirmed.

142. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.5,365,859,656. Review of records revealed several issues as indicated below:

142.1 Lack of Fixed Asset Register

The University did not maintain a fixed asset register which shows a list of all its assets specifying the date of acquisition, names, serial numbers and location of the assets as a result of which it was not able to possible to verify the existence, ownership and value of assets acquired by the University over the years.

142.2 Work-In-Progress (WIP)

Included in the property, plant and equipment balance is Kshs.1,089,292,371 relating to work-in-progress. The balance remained the same from the previous year. However, supporting documents in respect of the WIP including the schedule of the work in the progress by the name of the project showing the contract value, work valuation certificate issued, retention monies under construction and interim certificates issued for them, contract agreements for the projects and the projects status reports were not provided for audit review.

142.3 Grounded Motor Vehicles

Included in the property, plant and equipment balance is Kshs.9,683,510 in respect of motor vehicles, three (3) of which had been grounded for a long time and whose value was undetermined. There was no indication whether the vehicles had been recommended for disposal as they were unserviceable.

In the circumstances, the accuracy, valuation and existence of property, plant and equipment balance of Kshs.5,365,859,656 could not be confirmed.

Emphasis of Matter

143. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The statement of financial position reflects total current assets balance of Kshs.1,392,192,076 and total current liabilities of Kshs.5,342,875,861 resulting to current liabilities exceeding current assets by Kshs.3,950,683,785. Further, the statement of financial performance indicated that the University recorded a deficit of Kshs.449,281,118 resulting to increase of accumulated deficit from Kshs.4,231,137,954 as at 30 June, 2021 to Kshs.4,680,419,072 as at 30 June, 2022.

Material uncertainty casts significant doubts on the University's ability to continue to sustain its services and the University may not be able to meet its current obligations as and when they fall due.

My opinion is not modified in respect of this matter.

Other Matter

144. Prior Year Audit Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Appendix 1 in the financial statements on implementation status of Auditor-General's recommendations indicates that most of the issues have been resolved. However, Management did not provide evidence on how the resolution was arrived at.

Therefore, the matters remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

145. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of the financial statements for the year ended 30 June, 2022 provided for audit revealed that Management omitted critical information on presentation of financial statements contrary to Section 194 of the Public Finance Management Act, 2012 which requires the Public Sector Accounting Standards Board to issue on annual basis the format for presentation and disclosures required for preparation of financial statements in a given accounting cycle detailing necessary information that should be included in the financial statements. The National Treasury issued a Circular Ref: AG.4/16/3 Vol. II (66) on revised annual financial reporting templates for National and County Government entities dated 06 July, 2022. Information omitted in the financial statements presented for audit review included:

- (i) Cash generated from operations
- (ii) Financial risk management
- (iii) Related party balances
- (iv) Contingent assets and liabilities

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

146. Irregular Procurement of Legal Services

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.37,510,817 incurred on contracted services. Included in this expenditure is an amount of Kshs.10,184,689 in respect of legal fees paid to various firms of advocates. Review of payment records revealed the payments were

not supported with formal instructions to the firms for representation, details of cases in which the firms represented the University, approval from the Office of the Attorney-General to engage the private law firms, contrary to Section 17 of the Attorney General Act, 2012 which requires Ministries and State Departments to seek approval and be granted approval by the Attorney General to engage the services of a consultant to render legal services and certified copies of the judgements for the respective cases as stipulated in the civil procedure rules. Further, the services were directly procured contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015. In addition, review of payments and documents provided for audit in respect of the expenditure revealed that the University procured legal services without valid contracts contrary to Section 135 of Public Procurement and Asset Disposal Act, 2015.

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

147. Irregular Procurement of Maintenance of Other Assets

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.47,743,257 on repairs and maintenance which includes an amount of Kshs.34,736,993 incurred on maintenance of other assets. Review of sampled payment documents totalling Kshs.7,039,830 on procurement for water proofing for library roof works, upgrading of rooms D22 and D14 and construction works at South C Boundary revealed that the quotations were opened on dates earlier than those indicated on the quotations. In addition, appointment of evaluation of committee members was not provided.

In the circumstances, the regularity of expenditure on maintenance of other assets amounting to Kshs.34,736,993 could not be confirmed.

148. Irregular Expenditure on Airtime

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Kshs.311,159,620. Included in this expenditure is an amount of Kshs.24,271,318 on communication, supplies and services. Further, review of records revealed items amounting to Kshs.5,933,896 purchased through imprests contrary to guidelines issued through The National Treasury Circular 3/2010 dated 07 May, 2010 which states that temporary imprests should not be issued for miscellaneous or incidental expenses and/or for procurement of goods and services. Further, the items were not supported with store receipts and store ledger cards contrary to Section 159(2) of Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall record goods, works and services received in an inventory of the procuring entity as shall be prescribed.

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

149. Irregular Procurement of Foodstuff

As disclosed in Note 11 to the financial statements is use of goods and services amount of Kshs.311,159,620 which includes an amount of Kshs.7,364,409 incurred on foodstuff supplies. Out of the total expenditure on foodstuffs is an amount of Kshs.1,679,758 in respect of perishable goods. However, the inspection and acceptance report, records in

support of payments totalling Kshs.2,098,611 and a list of at least seven (7) bidders engaged through the framework agreement for supply of foodstuff were not provided for audit review. This is contrary to Section 114 of the Public Procurement and Asset Disposal Act, 2015 on framework agreement which states that a procuring entity may enter into a framework agreement through open tender if the procurement value is within the thresholds prescribed under the regulations to this Act; the required quantity of goods, works or non-consultancy services cannot be determined at the time of entering into the agreement; and a minimum of seven (7) alternative vendors are included for each category.

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

150. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.3,000,688,256. Review of payments and other related records revealed several unsatisfactory issues as indicated below:

150.1 Non-Compliance with the One-Third of Basic Salary Rule

During the year ended 30 June, 2022 thirteen (13) employees earned a net salary of less than a third (1/3) of the basic pay contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management did not give an explanation on failure to comply with the policy.

In the circumstances, the University contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and may expose the staff to pecuniary embarrassment.

150.2 Irregular Retention of Staff Beyond Mandatory Retirement Age

Review of records revealed that Management retained twenty-four (24) members of non-academic staff who had attained the mandatory retirement age of sixty (60) and two (2) members of academic staff who had attained the mandatory retirement age of seventy (70) years as at 30 May, 2022 on its payroll of June, 2022 who continued to draw salaries from the University with others having overstayed in the system by more than two (2) years. This is contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the Government from time to time and Article 77(4) of the constitution of Kenya that directs that a full-time state officer shall not participate in any other gainful employment while a retired state officer shall not receive remuneration from public funds other than as contemplated in clause.

150.3 Irregular Recruitment of Members of Staff

During the year under review, thirty (30) new recruitments were undertaken in various departments and positions. However, Management carried out the recruitments without vacancy announcements and interviews contrary to Section B.4(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that Ministries or State Departments or Corporations will advertise all vacant posts in a manner

that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert. The advert shall include the title of the post, number of vacancies, job description, person specification and the proposed remuneration while Sub-Section 2 provides that the advert shall be delivered in soft copy to the Public Service Commission to be posted in its website. In addition, Management did not provide human resource and annual recruitment plans contrary to Section B.2 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that every Ministry or State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs and that on the basis of these Human Resource Plans, Ministries or State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it plan to fill the vacancies.

150.4 Irregular Expenditure on Staff Training

The statement of financial performance and as disclosed in Note 11 to the financial statements indicates an amount of Kshs.311,159,620 spent on use of goods and services. Included in the expenditure is an amount of Kshs.7,478,208 on staff training expenses. However, supporting documents for the expenditure including proof of attendance, attendance register, payment without invoices, authorizations for events such as retreats and training content and proof of completion and certificates were not provided for audit verification. Further the need assessment and training policy was not provided for verification contrary to Public Audit Act, 2015 Section 9(1e) which states that without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution.

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

150.5 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final budgeted income and expenditure amounting to Kshs.3,785,478,856 and Kshs.3,741,411,048, respectively resulting to unbudgeted surplus of Kshs.44,067,808, contrary to the provisions of Regulation 33(c) of Public Finance Management (National Government) Regulations, 2015 on budget guidelines which states that 'budget shall be balanced'.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

151. There were no material issues relating to effectiveness of internal controls, risk management and governance.

TECHNICAL UNIVERSITY OF MOMBASA

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

152. Disputed Land Ownership

The statement of financial position reflects property, plant and equipment balance of Kshs.3,066,159,630 which includes freehold land balance of Kshs.1,047,422,550 as disclosed in Note 15 to the financial statements. The balance includes a parcel of land located in Mombasa valued at Kshs.130,000,000. However, as previously reported, the land ownership was in dispute following illegal encroachment, a matter which the Management asked the High Court to grant eviction orders.

Information provided by the Management regarding the matter indicated that the case was mentioned on 5 July, 2021 to confirm a surveyor's report which had been filed in Court. However, the court ruling of 28 October, 2021 dismissed the case rendering the issue unresolved.

In the circumstances, the ownership, accuracy and completeness of the University's freehold land valued at Kshs.130,000,000 could not be confirmed.

153. Work in Progress

The statement of financial position reflects property, plant and equipment balance of Kshs.3,066,159,630 as disclosed in Note 15 to the financial statements which includes work in progress valued at Kshs.75,019,542. The following observations were made:

153.1 Abandoned Library Detective System

As previously reported, the work in progress includes an advance payment of Kshs.1,802,697 made in the month of February, 2014 for a library detective system. However, no supporting documents for the payment were provided for audit review. Further, the system was supplied but later returned after being found defective but no replacement was made and instead the supplier abandoned the project. Efforts to recover the advance payment which included filing a suit against the supplier in High Court and engaging the services of an auctioneer were unsuccessful. At the time of audit in the month of October, 2022, the matter had been referred to the Ethics and Anti-Corruption Commission for investigations.

Further, Management did not write off or make an impairment provision in respect of the abandoned project. The University was yet to obtain value for money on the payment of Kshs.1,802,697 towards the project.

In the circumstances, the accuracy and completeness of work in progress valued as Kshs.75,019,542 could not be confirmed.

153.2 Stalled Perimeter Fencing Project

The work-in-progress balance of Kshs.75,019,542 includes expenditure of Kshs.6,930,750 in respect of construction of a perimeter fence on parcel of land located in Kaloleni, Mombasa County, which was abandoned before the project was completed. Management explained that the project was abandoned due to lengthy and expensive process of obtaining the title to the land. However, it was not clear why due diligence was not conducted to ensure that the title deed was obtained before the expenditure was incurred.

In the circumstances, the University did not obtain value for money for the payment of Kshs.6,930,750 made towards the project.

154. Unsupported Other Creditors

As disclosed in Note 27 to the financial statements, the statement of financial position reflects other creditors of Kshs.334,634,059. The amount includes creditors totalling to Kshs.26,533,901 whose details including invoices, job cards, purchase orders and contract agreements were not provided for audit review.

In the circumstances, the propriety, accuracy, completeness and validity of the other creditors balance of Kshs.26,533,901 could not be confirmed.

155. Students Caution Money not Accounted For

As disclosed in Note 28 to the financial statements, the statement of financial position reflects long term liabilities of Kshs.41,962,785 which includes an amount of Kshs.34,976,678 in respect of students' caution money, an increase of Kshs.6,711,500 from the previous year's balance of Kshs.28,265,178. However, the increase is not proportionate or consistent with the expected amount of Kshs.8,056,000 from the reported five thousand three hundred and seventy-one (5371) students admitted for the year under review, calculated at a rate of Kshs.1,500 per student, given that no refunds were made in the same period. No justification was provided for the difference of Kshs.1,345,000 between the reported increase in the financial statements and the total amount expected from the admissions. In addition, two (2) students did not pay the requisite caution money of Kshs.3,000 at the time of admission.

In the circumstances, the accuracy and completeness of the students caution money of Kshs.34,976,678 could not be confirmed.

156. Failure to Bond an Officer Sponsored for Studies

The statement of financial position reflects net receivables from exchange transactions balance of Kshs.339,334,239, as disclosed in Note 22 to the financial statements. The balance includes an amount of Kshs.1,754,446 due from an officer who had left the University's employment after being sponsored by the University for further studies at a cost of Kshs.2,754,446. However, evidence of efforts to recover the amount from the employee and bonding of the officer before proceeding for the studies were not provided for audit review.

In the circumstances, the recoverability of the receivables balance of Kshs.1,754,446 is doubtful.

Other Matter

157. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.1,951,298,605 against a budgeted amount of Kshs.1,701,402,804, resulting in an over-collection of Kshs.249,895,801 or 15% of the budget. Similarly, the University spent an amount of Kshs.1,692,548,260 against an approved budget of Kshs.1,682,505,804, resulting in an over-expenditure of Kshs.10,042,456 or 1% of the budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

158. Establishment of Campuses by the University

Review of the background information as provided under key entity information and Management section of the financial statements and annual reports indicates that the University has satellite campuses in Kwale and Lamu Counties. However, the established campuses did not have a provisional or full accreditation as required of Regulation 45(3) of the Universities (Amendment) Regulations, 2019.

Further, the campuses' details were omitted from the financial statements in respect of tuition income generated from a student population of one hundred and nine (109) and three hundred and fifty-six (356) for Lamu and Kwale campuses respectively, including their financial viability as required by Regulation 44(e) of the Universities (Amendment), Regulations, 2019. The Regulation requires that, the establishment of a University campus to be accompanied by the financial resources including the financial viability and a five (5)-year financial projection plan.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

159. Inadequacies in Debt Recoveries

As disclosed in Note 22 to the financial statements, the statement of financial position reflects gross student debtors balance of Kshs.339,334,239 which includes a balance of Kshs.363,283,301 attributed to the recognition of a debt immediately a student is enrolled. The debtors' amount increased by Kshs.125,066,843 from the previous year's balance of Kshs.238,216,458. However, no details were provided of the corresponding increase in the number of students. Further, no information was provided of the measures put in place to recover the debts as required by Section 4.7 of the Technical University of Mombasa Financial Management Policy, 2019.

In the circumstances, recoverability of the student's debtors of Kshs.363,283,301 is doubtful.

MAASAI MARA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

160. Material Uncertainty Related to Sustainability of Services

The statement of financial position reflects total current liabilities balance of Kshs.649,107,699 which exceeded the current assets balance of Kshs.574,017,164 resulting to a negative working capital of Kshs.75,090,535. This is an indication that the University may be unable to meet its financial obligations as and when they fall due.

Further, as reflected in Note 41 to the financial statements, the University was unable to pay salaries for staff and part time lecturers and remit statutory deductions amounting to Kshs.353,599,412. In addition, the University had received a demand notice for remittance of withheld tax deductions amounting to Kshs.768,800,536 which had been outstanding for more than ten (10) years thereby risking further fines and penalties. Although the University Management has put in place stringent cost cutting and revenue enhancement measures to address financial challenges, the liabilities still remain unpaid.

In the circumstances, the existence of the University is dependent on the assumption that it will continue to receive financial support from the Government, banks and its creditors.

161. Inaccuracies in the Financial Statements

Review of the University's financial statements revealed that various account balances differed significantly with the balances reflected in the general ledger and Trial Balance as detailed in the table below;

Component Particulars	Financial Statements Balances (Kshs.)	Ledger (Kshs.)	Trial Balance Balances (Kshs.)
Revenue Items			
Revenue from Non-Exchange Transactions	1,054,836,524	1,054,836,524	1,060,430,080
Revenue from Rendering of Services	413,666,805	413,666,805	413,718,805
Rental Revenue from Facilities	30,286,622	30,286,622	30,296,622
Gain from Sales of Assets	22,763	-	22,763
Other Income	16,607,493	15,561,523	11,259,169
Expenditure Items			
Use of Goods and Services	152,064,283	142,716,414	289,167,536
Employee Cost	1,272,987,013	1,221,912,812	1,143,449,378
Board Expenses	28,368,128	30,752,525	30,803,971
Assets			
Cash and Cash Equivalents	200,328,344	200,328,344	162,207,877

Component Particulars	Financial Statements Balances (Kshs.)	Ledger (Kshs.)	Trial Balance Balances (Kshs.)
Receivables from Exchange Transactions	147,594,658	147,594,658	183,553,273
Receivables from Non-Exchange Transactions	215,175,241	-	-
Inventory and Stores	10,918,921	20,557,475	21,909,510
Property, Plant and Equipment	2,166,102,751	2,166,102,751	2,165,446,218
Work In Progress	19,794,799	23,317,294	31,973,887
Biological Assets	975,000	975,000	887,900
Liabilities			
Trade and Other Payables	641,727,966	615,787,030	1,298,699,363
Current Provisions	7,379,733	7,379,733	64,240,065
Capital and Reserves			
Revenue Reserves	(96,774,853)	(96,774,853)	9,067,112
Revaluation Reserves	327,143,288	327,143,288	220,187,497
Accumulated Capital Funds	1,881,413,580	1,881,413,580	1,391,713,887

The differences between the three sets of records which should ideally reflect similar balances, have not been explained or reconciled.

Further, the financial statements reflect comparative balances which differ with the prior year audited financial statements balances as detailed in the table below;

Component Description	Financial Statements Balance (Kshs.)	Audited Financial Statements Balance (Kshs.)	Variance (Kshs.)
Finance Income	-	5,419,623	5,419,623
Use of Goods and Services	198,893,570	182,152,515	16,741,055
Employee Costs	1,022,131,725	1,047,405,502	25,273,777
Receivables from Non-Exchange Transactions	215,175,241	-	215,175,241
Trade and Other Payables	127,809,966	320,503,917	192,693,951

However, no explanation or supporting documents were provided to account for the opening balances adjustments.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

162. Inaccuracies in the Revenue from Exchange Transactions

The statement of financial performance reflects revenue from rendering services amount of Kshs.413,666,805 as disclosed in Note 11 to the financial statements. However, the

amount differed with the billing records amount of Kshs.402,647,827 by an unexplained and unreconciled variance of Kshs.11,018,978.

Further, analysis of the students' invoices revealed an unexplained variance between the approved fees structure and invoiced amounts as shown below;

Revenue Stream	No. of Students	Approved Fees (Kshs.)	Invoiced (Kshs.)	Variance (Kshs.)
Attachment Fees	43	12,000	100	511,700
Accommodation Fees	4	4,500	2,700	7,200
Caution Money	59	1,000	43,750	2,522,250

In addition, invoice adjustments amounting to Kshs.26,475,310 forming part of tuition income did not state the period to which the adjustments related. Similarly,, evidence of students' complaints, claims for credit notes and authorized journal entries in support of the adjustments were not provided for audit.

In the circumstances, accuracy and completeness of revenue from rendering of services amounting to Kshs.413,666,805 could not be confirmed.

163. Unsupported Finance Income

The statement of financial performance reflects finance income amount of Kshs.3,007,502 which relates to interest on fixed deposits as disclosed in Note 14 to the financial statements. However, the fixed deposit receipts, rollover instructions and fixed deposit register in support of the finance income were not provided for audit. Further, the fixed deposits ledger was not maintained.

In the circumstances, accuracy and completeness of the finance income amount of Kshs.3,007,502 could not be confirmed.

164. Unsupported Use of Goods and Services Expenditure

The statement of financial performance reflects use of goods and services expenditure of Kshs.152,064,283 as disclosed in Note 16 to the financial statements. The expenditure includes an amount of Kshs.55,315,360 incurred on various expenditure items which were not supported.

In the circumstances, accuracy, completeness, occurrence and regularity of use of goods and services expenditure of Kshs.55,315,360 could not be confirmed.

165. Inaccuracies in the Employee Costs

The statement of financial performance reflects employee costs of Kshs.1,272,987,013 which differs with the payroll supporting schedule amount of Kshs.1,213,670,576 by an unexplained variance of Kshs.59,316,437.

Further, included in the employee costs amount is part time teaching expenses for the year amounting to Kshs.89,744,244 which were not supported with the payroll ledgers. The schedule provided in support of the balance did not have a detailed breakdown of

the expenditure with names of lecturers, appointment letters, hours taught, attendance register and individual amounts payable.

In the circumstances, accuracy and completeness of employees cost amounting to Kshs.1,272,987,013 could not be confirmed.

166. Unsupported Council's Foreign Travel and Training Expenditure

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects Board expenses amount of Kshs.28,368,128. Included in this amount is Kshs.5,961,231 which was incurred on foreign travel and training of the University Council Members' in Zanzibar and Dubai. However, approvals by the Cabinet Secretary in charge of Education and evidence of travel by way of invitation letters, copies of air tickets, copies of the boarding passes and passports indicating the points of entry and exit of the travel destinations, activity programs, certificates of completion and back to office reports were not provided for audit.

In the circumstances, accuracy, regularity and occurrence of Council's foreign travel and training expenses of Kshs.5,961,231 could not be confirmed.

167. Inaccuracies in the Depreciation and Amortization Expense

The statement of financial performance and as disclosed in Note 19 to the financial statements reflects depreciation and amortization expenses of Kshs.26,591,916. However, the amount differs with the recalculated balance of Kshs.72,056,433 resulting to an unexplained variance of Kshs.45,464,517. Further, it was observed that the University did not have an Asset Management Policy to define the useful life of an asset, guidelines on the disposal of assets after a useful life time, or after consumption of a specified proportion of the future economic benefits or service potential embodied in the asset.

In the circumstances, accuracy and completeness of the depreciation and amortization expenses of Kshs.26,591,916 could not be confirmed.

168. Unsupported Repairs and Maintenance Expenses

The statement of financial performance and as disclosed in Note 20 to the financial statements reflects repairs and maintenance expenditure of Kshs.12,888,131. However, requisitions from user departments, defects report, motor vehicle work tickets and pre-and post-mechanical inspection reports to confirm repairs recommended and undertaken were not provided for audit.

Further, included in the repairs and maintenance expenditure is an amount of Kshs.2,053,783 incurred in respect of repair of one motor vehicle through direct procurement without justification and approval by the Head of Procurement, contrary to Section 103 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, accuracy, completeness and regularity of the expenditure of Kshs.12,888,131 incurred on maintenance and repairs could not be confirmed.

169. Unsupported Contracted Services Expenditure

The statement of financial performance reflects contracted services expenditure of Kshs.13,305,471 in respect of legal fees as disclosed in Note 21 to the financial statements. However, procurement documents such as requisitions, request for proposals, evaluation minutes and signed service level agreements were not provided for audit. Further, certificates of appointment, evidence of court attendance, fee notes and itemized billings in respect of each case were not provided for audit.

In the circumstances, accuracy, completeness and regularity of the expenditure of Kshs.13,305,471 incurred on legal fees could not be confirmed.

170. Inaccuracies in the Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.200,328,344 as disclosed in Note 28 to the financial statements. However, the following unsatisfactory matters were observed;

170.1 Irregular Liquidation of Fixed Deposits Balance

Review of records revealed that the University had an accommodation fixed deposits account with an opening balance of Kshs.13,000,000 held in a local bank. However, during the year the deposits balance was liquidated and Management did not indicate where the money was transferred to or how it was spent.

170.2 Inaccurate Statement of Bank Balances

Included in the cash and cash equivalents balance are amounts held in three (3) bank accounts of Kshs.754,263, Kshs.21,928,242 and Kshs.76,960,962. However, the supporting cashbooks for the accounts reflects balances of Kshs.2,674,965, Kshs.79,706,805 and Kshs.82,975,293, respectively. This resulted in an unexplained variances of Kshs.1,920,702, Kshs.57,778,563 and Kshs.6,014,331, respectively.

Further, the cashbook balances for the three (3) bank accounts differed with the recalculated balances of negative Kshs.5,136,688, Kshs.19,269,823 and Kshs.76,960,962, respectively resulting to an unexplained variances of Kshs.7,811,653, Kshs.60,436,982 and Kshs.6,014,331, respectively.

170.3 Unsupported M-Pesa Balances

Note 28 to the financial statements reflects mobile money account balance of Kshs.202,315 as at 30 June, 2022. The balances were held in six (6) mobile money accounts which were opened during the year under review for revenue collection. However, evidence of approval granted by the University Council to Management to operate the accounts, the service level agreements and the accounts reconciliation statements were not provided for audit review.

In the circumstances, accuracy and completeness of the reported cash and cash equivalents balance of Kshs.200,328,344 could not be confirmed.

171. Inaccuracies of Long Outstanding Receivables from Exchange Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.147,594,658 as disclosed in Note 29 to the financial statements. The balance includes student debtors amount of Kshs.127,951,464, which represents an increase of Kshs.36,972,569 from the previous year's balance of Kshs.90,978,895. Review of the debtors' analysis revealed that a balance of Kshs.108,128,202 or 85% of the total debtors had been outstanding for more than one hundred and twenty (120) days.

Although Management explained that the increase was as a result of students sitting for exams and graduating with fee balances, no measures have been put in place for the recovery of outstanding fees from students who have completed their courses. This is contrary to University's Financial Regulations, which requires the University to withhold any or all services including examination results, conferment of any degree, certificate or award until all outstanding fees are settled.

Further, the receivables from exchange transactions balance includes a rent deposit amount of Kshs.5,688,960 paid as security for Oltalet Campus which was closed in 2017. However, the lease agreement stated that the security deposit was refundable on departure from the premises but the balance has not been refunded to date.

In addition, the balance of Kshs.147,594,658 includes outstanding imprest amount of Kshs.7,286,979, receivables from the National Police Service and Department of Nomadic Education balance of Kshs.5,138,250 and Kshs.250,000, respectively which have been outstanding for more than one (1) year and whose supporting schedules were not provided for audit review. Further, Management did not make a provision for bad and doubtful debts. In addition, there was no specific provision for the impairment of debts that have been outstanding for a long period and which may not be recovered.

In the circumstances, accuracy and completeness of the receivables from exchange transactions balance of Kshs.147,594,658 could not be confirmed.

172. Unsupported Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.215,175,241 as disclosed in Note 30 to the financial statements, which was not supported with relevant schedules. Management explained that the balance was in respect of unaccounted for cash withdrawals lost through fraud during the previous years. The matter is before Court and judgement had not been made as at the time of audit.

In the circumstances, accuracy and recoverability of the non-exchange transactions balance of Kshs.215,175,241 could not be confirmed and is dependent on the outcome of the Court case.

173. Inaccuracies in the Inventory and Stores Balance

The statement of financial position reflects inventory and stores balance of Kshs.10,918,921 as disclosed in Note 31 to the financial statements. However, the inventory valuation report as at 30 June, 2022 reflected a balance of Kshs.11,307,271. Further, the inventory report from University's Management Information System used to

record inventory reflected a balance of Kshs.134,413,744. This resulted to an unexplained variances of Kshs.388,350 and Kshs.123,494,823, respectively.

In addition, the University Inventory Control Management System was not fully utilized, and the system used did not provide accurate stock operation reports. Review of stock records revealed that there were no requisition records, bin and ledger cards in use to provide accurate and collaborative records.

In the circumstances, accuracy and completeness of inventory and stores balance of Kshs.10,918,921 could not be confirmed.

174. Inaccuracies in the Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.2,166,102,751 which differs with the balance of Kshs.2,165,759,042 reflected in the corresponding Note 33 to the financial statements by an unexplained variance of Kshs.343,709. Further, the balance differed with the amount reflected in the assets register of Kshs.1,853,012,543 by an unexplained variance of Kshs.312,746,500.

In addition, and as disclosed in Note 33 to the financial statements, the property, plant and equipment balance of Kshs.2,165,759,042 includes additional assets during the year amounting to Kshs.564,816,309. However, the general ledger reflects an asset addition amount of Kshs.563,158,499 resulting to an unexplained variance of Kshs.1,657,810. No documents to support the additions were provided for audit review.

Review of records revealed that the property, plant and equipment balance of Kshs.1,623,167,107 as at 1 July, 2021 differed with the balances reflected in the previous year's audited financial statements as detailed below;

No.	Component	Audited Financial Statements Balances (Kshs.)	Comparative Balances (Kshs.)	Variance (Kshs.)
1	Land	268,500,000	268,500,000	-
2	Buildings	1,278,000,000	1,246,050,000	31,950,000
3	Plant and Equipment	2,246,525	1,735,760	510,765
4	Motor Vehicles	38,150,000	36,112,500	2,037,500
5	Computer and ICT Equipment	15,811,220	9,220,933	6,590,287
6	Furniture and Fittings	38,977,088	34,822,230	4,154,858
7	Library Books	46,943,502	26,725,684	20,217,818
	Total	1,688,628,335	1,623,167,107	

Further, the opening balances as at 1 July, 2021 and previous year was based on Net Book Values instead of cost or revaluation which also has an effect on the accumulated depreciation and depreciation charge for the year.

In the circumstances, accuracy, completeness, presentation and disclosure of the property, plant and equipment balance of Kshs.2,166,102,751 could not be confirmed.

175. Inaccuracies in the Biological Assets Balance

The statement of financial position reflects biological assets balance of Kshs.975,000 which includes an amount of Kshs.420,000 as additional assets during the year. However, review of the supporting documents revealed that the assets were acquired on 29 June, 2021 and therefore relates to the previous financial year.

Further, there was no disclosure in the financial statements as required by IPSAS 27 to describe the nature of activities the University uses the biological assets for and non-financial measures or estimates of physical quantities of output during the period. In addition, there was no evidence of user requisition or feasibility studies done to determine the viability of the agricultural projects within the University.

In the circumstances, accuracy and valuation of the biological assets balance of Kshs.975,000 could not be confirmed.

176. Inaccuracies in the Trade and Other Payables

176.1 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.641,727,966 as disclosed in Note 36 to the financial statements. However, the balance was not supported with detailed schedule and an ageing analysis per category showing the opening balance, additions and payments in the year to arrive at the closing balance. Further, supporting documents including invoices, vouchers, certificates and creditors' statements were not provided for audit review.

In addition, the balance included trade creditors and other service providers whose debts dated back to the year 2020. Management did not provide any explanation on failure to clear the long outstanding creditors.

176.2 Unsupported Students Payables

The trade and other payables balance includes a students' payables balance of Kshs.96,122,608 which differed with the general ledger balance of Kshs.103,237,416 by an unexplained variance of Kshs.7,114,808. Further, the detailed schedule showing amount of fees payable, fees paid and the outstanding balance per student were not provided for audit review.

In addition, review of records revealed that bursaries amounting to Kshs.2,239,765 were received from various National Government Constituency Development Funds and County Governments. However, the details of the bursaries were not posted to the individual students accounts and could therefore not be traced in the records.

176.3 Unreconciled Research Grants Payables

The balance of Kshs.641,727,966 includes third party payments - research grants payables balance of Kshs.11,112,305. However, review of records revealed that the research grants account had an outstanding balance of Kshs.15,749,852 as at 30 June, 2022 which differed with the reported balance of Kshs.11,112,305 resulting in an unexplained variance of Kshs.4,637,547.

In the circumstances, accuracy and completeness of the trade and other payables balance of Kshs.641,727,966 could not be confirmed.

177. Inaccuracies in Revaluation Reserve

The statement of financial position reflects revaluation reserve balance of Kshs.327,143,288 as disclosed in the statement of changes in net assets. The University revalued its selected classes of assets according to provisions of International Public Sector Accounting Standards (IPSAS) 17, under the revaluation model in the financial year 2020/2021. This resulted into a revaluation gain of Kshs.317,707,104 which differs with the reported balance of Kshs.327,143,288 by an unexplained variance of Kshs.9,436,184. Further, the carrying amount that would have been recognized had the assets been carried under the cost model was not disclosed as required by IPSAS 17.

In the circumstances, accuracy and completeness of the revaluation reserve balance of Kshs.327,143,288 could not be confirmed.

178. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment balance of Kshs.77,360,731 whereas Note 33 to the financial statements reflects additional assets balance of Kshs.564,816,308, resulting to an unexplained variance of Kshs.487,455,577. However, the detailed schedule showing contract amount, payments for the year and balances or pending works was not provided for audit review.

In the circumstances, accuracy and completeness of the statement of cash flows could not be confirmed.

Other Matter

179. Unresolved Prior Year Matters

During the previous year, several issues were highlighted but have remained unresolved as at 30 June, 2022. Management did not provide reasons for the delay in resolving the prior year audit issues or any evidence in form of reports on the progress made in implementing prior year auditor's recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

180. Irregular Staff Recruitment

During the year under review, the University recruited seven (7) staff who were paid an amount of Kshs.7,480,762 without advertisements and human resource plans contrary to Section B.4 and B.2 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016. Further, the shortlisting and interview reports were not provided for audit review and therefore, there was no evidence to confirm that the recruitment process was carried out in a fair, competitive and transparent manner.

Further, the University continued to pay a non-citizen engaged in the year 2015 at a contract cost of Kshs.3,310,357 without authority of employment from the Public Service Commission. The Officer was engaged despite possessing skills that were not lacking in the Country in contravention of Section B.24 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that the appointment of non-citizens will only be on contract terms not exceeding three (3) years, renewable once and requires the authority of the Public Service Commission.

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

181. Irregular Promotion of Staff

Review of human resources records for a sample of twelve (12) staff revealed promotion to various new job grades without human resource plans. Although the appointments and promotions committee approved all the names for promotion, the interviews to assess the suitability of the candidates was not conducted. This was contrary to Article 232(g) of the Constitution of Kenya which requires fair competition and merit as the basis of appointments and promotions.

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

182. Non-Compliance to One Third of Basic Salary Rule

Review of the payroll during the year under review revealed that five (5) employees earned net salaries less than a third of their respective basic salaries. This may have exposed staff to pecuniary embarrassment and was contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

183. Irregular Payment of Allowances to Staff

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects employee costs of Kshs.1,272,987,013. The amount includes salaries and wages expenditure of Kshs.1,050,188,656 which further includes an amount of Kshs.6,817,129 in respect of allowances irregularly paid to university staff as part of salary.

Further, acting allowances amounting to Kshs.3,397,760 was paid to fourteen (14) employees appointed to higher positions in various departments. However, the officers continued acting in the positions for more than the stipulated six (6) months contrary to Section C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that acting allowance will not be payable to an officer for more than six (6) months. Further, evidence of ownership by way of log books for the vehicles used by employees to claim for car allowances amounting to Kshs.5,290,000 were not provided for audit review.

In addition, inspection and acceptance allowance amounting to Kshs.210,000 was paid to six (6) officers appointed by the Vice Chancellor as the Inspection and Acceptance

Committee on 18 November, 2015. This was contrary to Section 48(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to establish an Ad Hoc Committee known as the Inspection and Acceptance Committee.

In the circumstances, Management was in breach of law.

184. Non-Compliance with Law on Staff Regional Diversity

Review of human resource records revealed that during the year under review, the University had six hundred and twenty-two (622) members of staff out of whom, two hundred and eighteen (218) or 35% were drawn from the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

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

185. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs amounting to Kshs.1,272,987,013 out of which an amount of Kshs.19,054,920 was incurred on casual wages. However, review of the payroll revealed that the engaged casuals had worked continuously for a period of more than 12 months from July, 2021 to June, 2022 contrary to Section 37(b) of the Employment Act, 2007 on conversion of casual employment to term contract and Section 1.4 (j) of the University's Human Resource Policy Manual which defines a casual as a person or individual whose services are engaged for a specific job for a period of not more than 28 days and who is paid on a daily basis.

Further, records in respect of how the temporary employees were hired, the work for which they were hired, formal requests done from the departmental heads and terms and conditions of services were not provided for audit review. In addition, the muster rolls showing attendance of the casual workers was not provided and therefore, the existence of the temporary employees and their work stations could not be confirmed.

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

186. Irregular Payment of Legal Fees

During the year under review, legal fees amounting to Kshs.13,305,471 were paid to six (6) lawyers who represented the University in various court cases. However, despite the University having recruited its own legal officers, the private lawyers were engaged to represent the University in court cases without approvals and authority by the Attorney General contrary to directives issued by the Attorney General through a circular dated 03 November, 2020.

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

187. Irregular Payment of Rent

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects expenditure of Kshs.900,000 incurred on rent for the Chancellor's offices in Nairobi. However, the authority by Ministry of Education to incur rent outside the precincts of the University was not provided for audit. Further, the University continues to incur rent expense despite the Chancellor having vacated the office since 12 February, 2018. Explanation by the Management that the office is used by the Council Members for some of the meetings contravenes the Executive's circular referenced OP/CAB.9/1A dated 03 April, 2020 that directed meetings to be held at the Corporation's registered or principal office through physical and tele/videoconferencing.

In the circumstances, value for money on the rent expenditure of Kshs.900,000 could not be confirmed.

188. Council Meetings Beyond the Approved Limit

The statement of financial performance reflects Board expenses of Kshs.28,368,128 as disclosed in Note 18 to the financial statements which includes Council allowances and other related expenditure of Kshs.13,575,571. Review of the Council's meeting timetable, attendance register and related records in support of the expenses revealed that the Council held a total of forty-two (42) full Council and committee meetings. This is contrary to Public Service circular of 11 March, 2020 which gives an approved maximum number of twenty-two (22) meetings, resulting to an excess of twenty (20) meetings which were not authorized by the Ministry of Education.

Further, an amount of Kshs.2,336,223 was paid to non-council members in form of imprest and expense claims without explanations and guidelines in breach of Section 36(1) of the Universities Act, 2012.

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

189. Irregular Staff Medical Expenses

The statement of financial performance and as disclosed in Note 17 to the financial statements, reflects employee costs of Kshs.1,272,987,013. The amount includes an expenditure of Kshs.30,380,385 in respect of staff medical expenses which further includes an expenditure of Kshs.2,355,725 paid to three (3) medical facilities which did not have any contract agreements with the University. This was contrary to Section 58(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall use standard procurement and asset disposal documents issued by the Authority in all procurement and asset disposal proceedings.

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

190. Failure to Prepare Cashbooks and Bank Reconciliation Statements

The statement of financial position reflects cash and cash equivalents balance of Kshs.200,328,344 which includes an amount of Kshs.75,011,670 for four (4) bank accounts whose cashbooks and bank reconciliation statements were not provided for audit. This is contrary to Regulation 90(1) of the Public Finance Management (National

Government) Regulations, 2015 which requires the Accounting Officer to ensure bank account reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th day of the subsequent month to The National Treasury with a copy to the Auditor-General.

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

191. Construction of Tuition Block – Irregular Variation of Contract Sum

During the year under review, the contractor completed and handed over the newly constructed tuition block on 13 August, 2021. However, and as previously reported, documentary evidence in support of the contract variation from the contract sum of Kshs.511,663,031 to Kshs.564,712,500 was not provided. Management explained that the documents had been taken by the Ethics and Anti-Corruption Commission to facilitate investigations on the contract's implementation.

Further, no evidence was provided to confirm that the contract variation was reported to the Public Procurement Regulatory Authority contrary to Section 139(5) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that an Accounting Officer of a procuring entity shall submit a quarterly report of the varied or amended procurement contracts to the Authority.

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

192. Unconfirmed Ownership and Valuation of Motor Vehicles

As disclosed in the statement of changes in net assets, the University revalued its assets in the financial year 2020/2021 resulting into a revaluation gain of Kshs.317,707,104. Included in the balance is Kshs.35,559,375 for motor vehicles. However, the revaluation report excluded four (4) motor vehicles owned by the University. Further, review of the ownership documents revealed that two (2) University motor vehicles were registered in the names of private entities. It was therefore, not possible to confirm why the motor vehicles had not been transferred to Maasai Mara University.

In addition, eight (8) University vehicles valued at Kshs.14,522,375 had been grounded for more than two (2) years. The technical valuation report from the Ministry of Transport and Public Works confirming the unserviceability of the motor vehicles was not provided. Further, there was no proof that Management had established a disposal committee for the purpose of disposal of the unserviceable assets as required by Section 163(1) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, value for money, existence, ownership and valuation of the University's motor vehicles could not be confirmed.

193. Delayed Implementation of the Enterprise Resource Planning (ERP) System

The University entered into a contract with an information technology company to develop an Enterprise Resource Planning (ERP) system at a contract price of Kshs.23,316,000 in the year 2016. The project, which commenced on 14 January, 2016, was for a duration of two (2) years ending 14 January, 2018. The contract was to integrate all the processes

needed to run the University in a single system. However, review of the project status in the month of February, 2022 revealed that the vendor had not handed over the project and there was no proof that the contract period had been extended. Further, the University made a payment of Kshs.3,521,201 on 01 June, 2022 without a valid contract. No explanation had been provided to justify the payment more than five years after expiry of the contract.

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

194. Failure to Remit Statutory Tax Deductions

Review of correspondences from the Kenya Revenue Authority indicated that the University failed to remit withheld tax deductions totalling Kshs.768,800,536 since the year 2009. This is contrary to Section 8 (1) of the Income Tax (Withholding Tax) Rules, 2001 and consequently the Income Tax Act, Cap 470 of the Laws of Kenya. Failure to remit the deductions was irregular and the University stands the risk of avoidable expenditure in form of fines and penalties for non-deduction and remittance of taxes.

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

195. Non-Compliance with Law on Fiscal Responsibility - Wage Bill

The statement of financial performance reflects employee costs amounting to Kshs.1,272,987,013. However, the percentage of the expenditure to the University's total revenue of Kshs.1,527,538,891 for the year was eighty-three percent (83%) which exceeded the set limit of thirty-five percent (35%) under Regulation 26 (1)(a) of the Public Finance Management (National Government) Regulations, 2015.

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

196. Non-Compliance with the University Fees Payment Policy

Review of the University's graduation lists indicated that two hundred and thirty-two (232) students who owed the University a total of Kshs.5,279,782 in fees arrears were allowed to graduate. This is contrary to Section 7.1 of the University's Fees Payment Policy which requires all students to clear their outstanding accounts before or at the beginning of the semester, and any student who shall not have settled all fees by that period to automatically defer the semester.

Further, review of records revealed that four thousand, four hundred and ninety-seven (4,497) students who owed the University a total of Kshs.50,201,826 were allowed to sit for end of semester examinations in April, 2022 in breach of Section 7.2 of the University's Fees Payment Policy.

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

197. Non-Adherence to the Stipulated Budget Process

Review of the budget related records revealed that the approval of the University budget for the period under review did not meet the set timelines and delayed for a period of seven (7) months. Further, there was no evidence of transmission to and subsequent approval of the budget by The National Treasury. This is contrary to Section 2 of the

University's Finance Policy Manual that requires the Council to approve the budget proposals and the Vice Chancellor to forward the budget to The National Treasury for final approval not later than 31st of January each year.

Further, there was no evidence that the University Management had budgeted for the development expenditure in breach of Section 15(2)(a) of the Public Finance Management Act, 2012 that requires a minimum of thirty percent (30%) of the budget to be allocated to the development expenditure.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

198. Weak Controls in Management of Students' Fees and Charges

The statement of financial performance and as disclosed in Note 11 to the financial statements, reflects rendering of services revenue amounting to Kshs.413,666,805 in respect of students' fees and administrative charges. However, the following anomalies were observed:

- i. Included in the student's fees and charges balance is an amount of Kshs.4,136,000 received from Higher education Loans Board towards tuition fees for one thousand and thirty-four (1,034) students who did not appear in the University's students register.
- ii. Further, review of one of the fees collection bank account statements revealed that receipts amounting to Kshs.4,131,450 from one hundred and eighty (180) students had not been recorded to the respective student's accounts. This implies that the student debtor balance may be overstated by the same amount.
- iii. Review of the invoicing records revealed that eighty-one (81) students were registered as residents but were not billed accommodation fees amounting to Kshs.364,500 whereas fifty-two (52) students registered as non-residents were invoiced accommodation fees of Kshs.234,000.
- iv. The University uses an Enterprise Resource Planning system that has been configured to generate receipt numbers automatically and sequentially. However, an analysis of the receipts data generated from the system revealed thirty-one thousand, three hundred and fifty-one (31,351) gaps in the receipts numbers.

In the circumstances, the adequacy of controls over invoicing and receipting of student's fees and charges during the year under review was not robust enough to mitigate intrusion and may negatively affect the University's operations.

199. Lack of Substantive Chancellor and Vice Chancellor

Review of records revealed that the University has been without a substantive Chancellor for five (5) years following the expiry of the term of the former Chancellor on 12 February, 2018. Further, the University has been without a substantive Vice

Chancellor for more than three (3) years. This may lead to stalling of major substantive policy decisions as well as guidance to the Council and the staff members. The appointment of substantive office holders would also facilitate delegation of duties without abdicating responsibilities thus taking full command in management of the University.

In the circumstances, University's governance structure was not properly constituted.

200. Weak Internal Controls in the Maintenance and Management of Staff Payroll

Review of payroll data revealed that forty-eight (48) employees had two (2) active profiles in the payroll system. This is an indication that there were no proper controls and could result to double payments. Further, review of the payroll logs for the University officers revealed cases of violation of the principle of segregation of duties in the payroll management. It was observed that an employee could initiate transaction, process, modify and delete transactions. This is contrary to Regulation 110(2)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that access controls to be instituted shall include - segregation of duties.

In the circumstances, the adequacy of internal controls on the University payroll during the year was not robust enough to mitigate against system errors and may negatively affect the University's operations.

201. Lack of Information and Communication Technology (ICT) Change Management Policy

Review of records revealed that the University enhanced its information technology systems by implementing an Enterprise Resource Planning (ERP) system with the main objective of bringing in efficiency in operations within the University. The ERP system did away with the distributed stand-alone systems within departments. However, there was no approved Change Management Policy that documented formal procedures for the University to follow in effecting any changes to the existing systems. The change management forms, review and approval of changes, test results, implementing and periodic reports and post implementation review of changes done were not provided for audit review.

In the circumstances, lack of ICT Change Management Policy may hinder effective use of information technology within the University and the implemented changes in the systems may not meet the business requirements.

202. Lack of Risk Management Strategies

During the year under review, the University did not have a risk management strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This was evidenced by lack of Risk Management Policy, Disaster Recovery Plan or Business Continuity Plan and Information Technology policies. Management did not provide any written assurance that the internal controls systems were in place and no explanation was provided for failure to have the policies in place.

In the circumstances, Management may not be in a position to evaluate, rank and prioritize critical risks and channel resources towards mitigating identified risks which may negatively affect the utilization of resources and the quality of services.

203. Failure to Conduct Governance Audit

Review of records revealed that at the time of audit, the existing University Council remained with one (1) month to the expiry of its term in office. However, a governance audit had not been conducted and no succession plans were in place.

In the circumstances, the existence of effective overall governance measures at the University could not be confirmed.

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

204. Material Uncertainty on Sustainability of Services

The statement of financial performance for the year reflects Kshs.1,254,466,392 and Kshs.1,408,523,355 in respect of total revenue and total expenses respectively resulting to a deficit of Kshs.154,056,964 (2020/2021: Kshs.199,240,072). The deficit resulted to an increase in accumulated deficit from Kshs.670,707,283 as at 30 June, 2021 to accumulated deficit of Kshs.824,764,247 as at 30 June, 2022.

Further, the current liabilities balance of Kshs.447,330,773 exceeded the current assets balance of Kshs.311,218,757 resulting to a negative working capital of Kshs.136,112,016. The University is therefore technically insolvent. However, the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the Government and its creditors.

In the circumstances, the University is likely to face financial challenges and might find it difficult to sustain its services.

205. Unsupported Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.2,630,851,248 in respect of property, plant and equipment. However, as previously reported, and as disclosed in Note 18 to the financial statements, the balance includes land with a value of Kshs.108,292,000 based on a valuation done in 2009 over thirteen (13) years ago. In addition, the land ownership documents provided for audit review indicated that one parcel of land was registered under Meru University College of Science and Technology while the other parcel was in the name of Meru College of Technology.

In the circumstances, the accuracy and completeness of the balance of Kshs.108,292,000 in respect of property, plant and equipment could not be confirmed.

206. Unsupported Rent and Rates Expenditure

The statement of financial performance reflects an amount of Kshs.1,319,292,354 in respect of operational expenses and as disclosed in Note 10 to the financial statements, which includes an amount of Kshs.160,699,133 incurred on other operating expenses. Included in the expenditure is an amount of Kshs.14,378,921 in respect of rent and rates for Meru University Campus located in Meru town. The lease agreement required the University to pay a monthly rent of Kshs.930,917 for the initial two (2) years and Kshs.1,024,008 for the next two (2) years and Kshs.1,126,385 for the final year. However, as previously reported, no evidence was provided to confirm that the identification of these offices was subjected to procurement procedures.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.14,378,921 in respect of rent and rates could not be confirmed.

207. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flow from operating activities amount of Kshs.105,085,517 in respect of 2020/2021. However, the audited financial statements for 2020/2021 reflects a balance of Kshs.136,541,017. Further, the statement reflects net cash flow from financing activities balance of Kshs.265,046,833 in respect of 2020/2021. However, the audited 2020/2021 financial statements reflect an amount of Kshs.233,591,333 in respect of the same item. Management did not provide explanation or reconciliations for the variances noted.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

Other Matter

208. Unresolved Prior Year Matters

There were issues raised in the audit report for 2020/2021 financial year. However, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which requires Accounting Officers in respect of the entity concerned to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

209. Non-Compliance with Law on Ethnic Composition

Review of records revealed that out of a total of four hundred and six (406) employees, two hundred and sixty-three (263) employees or 65% were from the dominant ethnic community 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 the same ethnic community.

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

210. Delayed Completion of Sports Field

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.2,630,851,248 which includes an amount of Kshs.928,853,555 in respect of work-in-progress, out of which Kshs.171,537,625 relates to construction of sports fields.

Records indicates that the University entered into a contract for the construction of sports fields on 30 July, 2020 at a cost of Kshs.232,742,353 for a performance period of twenty-nine (29) weeks, commencing from 14 September, 2020 with expected completion date of 02 March, 2021 which was later extended to 30 October, 2023. As at the time of audit in December, 2022, the total works completed amounted to Kshs.171,537,625 or 74% of the contract sum.

However, audit inspection conducted in December, 2022 revealed that the project had stalled, and the contractor was not on site. Further, no document or record was provided to confirm the overall completion level and reasons for the delay.

In the circumstances, value for money for the expenditure amount of Kshs.171,537,625 could not be confirmed.

211. Delayed Appointment of Senior Academic Staff

During the year under review, the University paid an amount of Kshs.951,627 to two (2) senior academic staff as acting allowance. However, review of human resource records provided for audit revealed that the two staff members had acted for more than six (6) months contrary to Section C.14 (1) of the Public Service Commission Human Resource Policies Manual, 2016 which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months. No plausible explanation was given on why the University was unable to appoint substantive holders for the two positions through a competitive recruitment process.

212. Outstanding Receivables from Exchange Transactions - Student Debtors

The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.116,174,595 in respect of receivables from exchange transactions which include students' debtors balance of Kshs.114,696,875. However, measures taken by University Management to ensure collection of the outstanding student debt of Kshs.114,696,875 was not provided for audit review, contrary to Regulation 64(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the University was in breach of the law and the recoverability of the outstanding student debt amounting to Kshs.114,696,875 is doubtful.

213. Unsupported Over Expenditure and Over Collection of Revenue

The statement of comparison of budget and actual amounts for the year reflects final budgeted revenue of Kshs.1,122,613,055 and actual revenue of Kshs.1,254,466,392 resulting to a net revenue surplus of Kshs.131,853,337 or 12% of the budget. In addition, the statement reflects final budgeted expenditure of Kshs.1,122,613,055 and actual expenditure of Kshs.1,408,523,355 resulting to a net over-expenditure of Kshs.285,910,300 or 25% of the budget.

Further, there was no evidence provided by Management for audit review to show if a supplementary budget was approved for the over-expenditure of Kshs.285,910,300 contrary to Section 12 of the State Corporation Act, 2010 which provides that no State Corporation shall, without prior approval in writing of the Minister and The National Treasury incur any expenditure for which a provision has not been made in the annual estimates.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

214. There were no material issues relating to effectiveness of internal controls, risk management and governance.

MULTIMEDIA UNIVERSITY OF KENYA

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

215. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.132,279,058, as disclosed in Note 12 to the financial statements. The balance includes staff debtors' balance of Kshs.19,475,576 due from employees of the defunct Kenya College of Communications Technology who have since left the University. However, Note 12 indicates staff debtors totalled Kshs.18,765,747. The variance of Kshs.709,829 was not explained or reconciled. No satisfactory explanation was provided by Management on why the staff were released from the University's employment without having cleared the outstanding debts. Further, the balance includes an advance payment of Kshs.2,000,000 made to a private company for provision of public and media relations services in 2013. In spite of the payment, the company did not provide the respective services.

In addition, included in the balance of students' debtors of Kshs.128,592,977 is an amount of Kshs.71,403,586 which has been outstanding for more than five (5) years. Similarly, the trade debtors balance of Kshs.86,993,019, includes an outstanding amount of Kshs.77,779,505 which has also remained uncollected for a period of more than five (5)

years. Included in the long outstanding balances are amounts from existing institutions which include Ministry of Education, Ministry of Information, Kenya Pipelines and Telkom Kenya. No confirmations were received to verify the outstanding balances. No justification was provided for the provision for bad debts amount of Kshs.146,543,793 which is 53% of current receivables, an increase from 48% in the financial year 2020/2021.

In the circumstances, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.132,279,058 could not be confirmed.

216. Long Outstanding Payables from Exchange Transactions

The statement of financial position and as disclosed in Note 15 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,809,737,166. Review of records provided for audit revealed that, included in the payables balance is trade creditors balance of Kshs.249,182,284 which further includes engineering block fee note and, staff quarter rent and Telkom rent of Kshs.54,429,000 and Kshs.22,344,097 respectively, which have been outstanding for over two years. No explanation was provided for the non-payment.

Further, included in the payables balance is unremitted statutory deductions amounting to Kshs.831,519,165 which comprise of pension and NSSF balance of Kshs.571,503,286 and dues to part-time lecturers' balance of Kshs.260,015,879. The amounts increased from the previous year's total of Kshs.693,897,680 by Kshs.137,621,485 or 20%. However, the procedures followed in the recruitment of part-time lecturers was not provided.

In addition, the payables included outstanding Pay As You Earn (P.A.Y.E) balance of Kshs.510,113,846. No explanation was provided for the non-remittance, considering some payables date back to April, 2015. The trade payables also include a balance of Kshs.10,120,000 for audit services due for six years, no audit fee was provided for in the statement of financial performance.

In the circumstances, the accuracy and validity of the trade and other payables from exchange transactions balance of Kshs.1,809,737,166 could not be confirmed and the University may attract punitive penalties for non-remittance of these statutory deductions.

217. Irregular Issuance of Imprests

Audit review of information provided revealed that Management issued imprests to various officers totalling to Kshs.2,542,071 in respect of domestic travel and transport allowances as a direct expense instead of issuance as imprests. Further, Management did not maintain an imprest register.

In the circumstances, it was not possible to confirm the occurrence of the expenditure totalling to Kshs.2,542,071 and any outstanding imprests for the year under review.

218. Uncertainty on Sustainability of Services

During the year under review, the University recorded an operating deficit amounting to Kshs.104,858,579 (2021 Kshs.295,209,988) which increased its accumulated deficit from Kshs.1,670,486,015 in 2020/2021 to Kshs.1,775,344,594 as at 30 June, 2022.

Further, the statement of financial position reflects current liabilities totalling Kshs.1,811,437,166 against current assets totalling Kshs.289,119,534 resulting in a negative working capital of Kshs.1,522,317,632. Therefore, the University may not be able to meet its financial obligations as and when they fall due. In this regard, the University had not remitted deductions in respect to pension, gratuity, third party payments and taxes, all totalling Kshs.1,148,772,726. Management has not disclosed the measures it has taken or intends to take to reverse the unsatisfactory performance and financial position.

The University is, therefore, technically insolvent and its continued operations will depend on the financial support and goodwill from the Government, creditors and bankers.

Other Matter

219. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.1,231,174,027 and Kshs.1,283,129,687 respectively, resulting to an over-expenditure funding of Kshs.51,995,660 or 4% of the budget.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

220. Unauthorized Impaired Receivables

Review of debtors' records revealed receivables from exchange transactions of Kshs.79,748,066 which had been outstanding for over ten (10) years. The debts were inherited from the defunct Kenya College of Communications Technology. The University has fully impaired these debts in accordance with Section 157(a) of the Public Finance Management Act, 2012 on write-off of losses proven to be irrecoverable. The records indicated that in October, 2014, Management wrote to The National Treasury through the State Department for University Education requesting for authority to write-off the debts. No information was provided to confirm whether the request sought from The National Treasury was granted.

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

221. Non-Adherence to One Third Basic Salary Rule

Review of University personnel records indicated existence of staff members with net salaries less than one third ($\frac{1}{3}$) of their basic pay contrary to Section 19(3) of the Employment Act, 2007 which stipulates that the total amount of all deductions by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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

222. Unauthorized Service in Acting Capacities

Review of the non-teaching staff records revealed that the heads of finance, procurement and human resource departments have been in acting positions for a period of more than three years under six months' renewal contracts, contrary to the Public Service Human Resource Policies Section C.14(4) which requires that, all recommendations for acting appointments in Job Group 'Q' and above shall be accompanied by a draft indent for advertisement of the vacancy. Further, it was noted that, the acting appointment letter for the head of finance department expired on 23 April, 2022 and has since not been renewed.

In the circumstances, Management was in breach of the law and it was not possible to confirm the legality of the acting status.

223. Irregular Procurement of Cleaning Contract

Examination of records provided revealed that Management awarded a tender for comprehensive cleaning and fumigation services to a contractor on 17 August, 2021 at a cost of Kshs.7,608,276. However, the contract document between the University and the contractor was dated 15 September, 2021. The bidder had already begun the services prior to signing of the contract and hence contravening Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that; the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period. Further, the law requires that the contract should be signed within 30 days from the date of award but not less than 14 days, however, Management had not signed the tender forty-five (45) days later.

In addition, it was noted that the previous cleaning and fumigation contract expired on 30 June, 2021, however, Management did not terminate the contract until 31 August, 2021 extending the contract irregularly by two months. No explanation was provided for the anomaly.

Management was therefore in breach of the law.

224. Irregularities in Proposed Construction of New University Library

Management awarded a contract for proposed construction of new university library to a contractor on 15 August, 2018, at a cost of Kshs.565,101,475 for a contract period of 104 weeks. However, as at the time of the audit in September, 2022, the works had not been completed. Further, it was observed that the contractor charged percentages of profits of 5% on special preliminaries and 2.5 % on prime costs amounting to Kshs.3,620,000, however, no explanation was provided for the charges since the additional profit charges on prime costs inflated the contract sum. In addition, review of the bill of quantities revealed glaring discrepancies in the amount in figures and the amount in words.

In the circumstances, the validity and legality of the procurement process and award and costing of the contract could not be confirmed.

225. Irregular Extension of Contract to Supply Library Books

Management awarded a tender for the supply of library books amounting to Kshs.14,960,350 to a contractor on 25 June, 2019. The contract validity period was three months from the date of signing. However, it was noted that in the financial year under review, the contract was active, since an LPO of Kshs.858,940 dated 30 May, 2022 had been issued. The Management did not provide records on the number of books supplied and the total cost as at the time of audit.

In the circumstances, it was not possible to confirm the validity for the tender on supply of books.

226. Irregular Supply of Medical Drugs

During the financial year under review, the University advertised for a framework contract for the supply of medical drugs on 25 May, 2021. However, analysis of records provided for audit review revealed that signing of contracts took place on 19 August, 2021 after the elapse of 30 days as prescribed in the Public Procurement and Asset Disposal Act, 2015. Similarly, supply of lab reagents under a tender dated 25 May, 2021 revealed that the award of the framework contract to all successful bidders was done on 23 July, 2021 after the lapse of the 30 days stipulated in the Act.

Management was therefore in breach of the law.

227. Non-Adherence to Framework Agreements

Analysis of the procurement documents presented for audit review revealed that Management advertised for contract framework agreements of various categories on 25 May, 2021. However, it was noted that although Management had awarded framework agreements for goods such as foodstuff and stationeries, request for quotations method to procure for the same goods was awarded to merchants who had not been shortlisted in the framework. This was in contravention of Regulations 106 of the Public Procurement and Asset Disposal Regulations, which provides that a procuring entity is not required to advertise or invite quotations from persons not shortlisted under the framework agreement where a framework agreement has been entered into by the procuring entity.

In the circumstances, it was not possible to confirm the validity of the contracts.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

228. Lack of Information Communication Technology Policy

Review of the University ICT environment during the year ended 30 June, 2022 revealed that there was no approved ICT Policy in place to enable the University manage business processes for the delivery of services to the stakeholders in an effective and efficient manner.

In the circumstances, the IT operations may not have been effectively managed and aligned to support the operations of the entity during the year under review.

229. Lack of Human Resource Management Policy

Review of Human Resource documents presented for audit revealed that the University did not have an approved Human Resource Policy. It was noted that the approved University's Procedure Manual for October, 2021 requires that all procedures for Human Resource to be approved on basis of the Human Resource Policy.

Further, there was no Training and Development Policy in place and the University did not carry out a training needs assessment for the staff during the financial year under review as guided by procedure number 2.1 of the Training and Development Procedure Manual.

In the circumstances, the quality of services would be compromised due to lack of human resource policy which would ensure knowledge enhancement through proper skills acquisition.

SOUTH EASTERN KENYA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

230. Employee Costs

The statement of financial performance reflects employee costs of Kshs.943,746,290 as disclosed under Note 14 to the financial statements. The following anomalies were noted:

230.1 Overstated Claims for Part Time Lecturers

Included in the costs are teaching claims for part time lecturers amounting to Kshs.34,595,155. The teaching claims included claims for prior periods of Kshs.32,245,455, thereby, overstating the current year's expenditure.

230.2 Misstatement of Employees Costs

Included in the trade and other payables from exchange transaction balance of Kshs.177,610,541 and as disclosed in Note 22 are provision for part time claims of Kshs.64,933,257. Out of the amount, Kshs.11,596,323 related to claims for the financial year 2021/2022. The amount was however, not fully expensed during the year under review as the ledger only included part time teaching claims of Kshs.2,349,700.

In the circumstances, the validity and accuracy of the employee costs of Kshs.943,746,290 for year ended 30 June, 2022 could not be confirmed.

231. Overstatement of Revenue from Exchange Transactions

The statement of financial performance reflects tuition and other related fees amount of Kshs.232,242,856 which includes tuition fees of Kshs.122,837,550 as disclosed in Note 5 to the financial statements. However, a review of registered students and fees

payable for the various course records, revealed an amount of Kshs.91,025,250 as the tuition fees for the period under review instead of the reported amount.

In the circumstances, the validity and accuracy of the tuition and other related fees amount of Kshs.232,242,856 for the year ended 30 June, 2022 could not be confirmed.

232. Non-Current Assets

Review of the assets' records revealed the following anomalies:

- (a) Note 15(b) to the financial statements reflects Kshs.3,329,727,728 in respect of plant, property and equipment which include Kshs.1,046,550,000 in respect of Land. However, three (3) parcels of land in Nairobi, Kitui and Emali have not been registered in the name of the University due to land disputes. Further, the title deed for the parcel in Nairobi is not in the custody of the University.
- (b) The parcels of land detailed below have not been valued and were not included in the property, plant and equipment balance of Kshs.3,329,727,728. The parcels of land have also, not been registered in the name of the University.

Details	Measurement	Location
Hived from Adjudication Survey	Approx. 30 Acres	Mwingi, Ngoo Area
Approved Kitui Part Development Plan	Approx. 0.845 Hectares	Kitui Town
Approved Wote Part Development Plan	Approx. 30 Acres	Wote Town, Makueni County
Plot in Mtito Andei	20 Acres	Mangelete Settlement Scheme, Mtito Andei

- (c) The University constructed two office and tuition blocks in Kitui Campus and Wote Campus at a cost of Kshs.249,439,800 and Kshs.360,783,904 respectively. However, the parcels of land in which the two blocks are situated are not registered in the name of the University and are also not valued nor included in the property, plant and equipment balance.

In the circumstances, the accuracy and fair statement of property, plant and equipment balance of Kshs.3,329,727,728 as at 30 June, 2022 could not be confirmed.

233. Unsupported and Irregular Prior Year Adjustments

The statement of changes in net assets reflects various prior year adjustments as shown below:

Description	Amount (Kshs.)
Adjustment on Previous Years	(5,691,848)
Prior Year Adjustments - Expenses	(21,548,611)
Prior Year Adjustments	19,499,346

The adjustments arose from various amendments on previous years' financial statements. However, the restatement of the financial statements was not done on the specific items affected and the adjusted (restated) accumulated revenue reserve was not

reflected in the statement of changes in net assets for the year 2021/2022. Further, the adjustments are unsupported.

In the circumstances, the accuracy and validity of the prior year adjustment to the financial statements could not be confirmed.

234. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.70,683,596 which includes general debtors of Kshs.14,756,496 as disclosed in Note 18 to the financial statements. The general debtors include amounts owed by the County Government of Kitui of Kshs.14,000,000 for services rendered which has been outstanding for a long period and the University may not recover the debt.

In the circumstances, the accuracy and fair statement of receivables from exchange transactions balance of Kshs.70,683,596 as at 30 June, 2022 could not be confirmed.

235. Irregular Payment of Professional Fees

The University entered into contract with a consultancy firm on 10 October, 2016 for provision of consultancy services as a consortium for the proposed construction of Wote Town Campus in Makueni County at contract sum of Kshs.40,199,847. Review of the professional fees records indicate that the University paid the Consortium an amount of Kshs.36,048,252.99, out of which Kshs.5,748,000 related to travelling time on hourly basis instead of reasonable hotel and subsistence that is consistent with seniority of consultant's staff. This contravened clauses 207.03.01 and 207.07.01 of Conditions of engagement and scales of fees for professional services for building and civil engineering works (1987 first edition) and the subject contract.

In the circumstances, the validity of expenditure of Kshs.5,748,000 paid to the consultant based on hourly travel time could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

236. Irregular Acting Allowances

The University appointed a finance officer in acting capacity for a period of 6 months with effect from 01 September, 2020 to 28 February, 2021. The employee however continued to serve in acting capacity and drawing allowances up to December, 2021, for an additional ten (10) months, without a formal extension of the appointment contrary to Human Resource Policy Manual on duration one can be engaged in acting capacity (of six months).

In the circumstances, the allowances were paid irregularly and the Management was in breach of Human Resource Policy Manual.

237. Failure to Comply with the Approved Staff Establishment

Review of the employees' records revealed that the University had an approved staff establishment of 520 employees whereas the actual number in position was 475, resulting

to under-establishment of 45 employees. However, five (5) categories in the establishment were over-established.

In the circumstances, the under-establishment impacted negatively on service delivery while over-establishment is a breach of the policy on employment and lead to idle work force.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

238. Incomplete Assets Register

Review of the University's assets register provided in support of property, plant and equipment balance revealed failure to include the following pertinent information:

- a) The rate of depreciation for each category of assets,
- b) The depreciation charge for the current financial year for each asset,
- c) Accumulated depreciation for each asset,
- d) The carrying value of each asset,
- e) The revaluation date of the assets subjected to revaluation,
- f) The revalued balance of such fixed assets, and
- g) Impairment losses incurred during the financial year (and the reversal of such losses where applicable), on revaluation and/or disposal of assets.

Further, the logbook for motor vehicle registration number KDA 713P procured during the year 2020/2021 at a cost of Kshs.15,324,812 was not provided for audit review.

In the circumstances, the asset management controls in place could not be confirmed.

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

239. Unsupported Expenditure and Failure to Prepare and Submit for Audit Financial Statements for a Project

The statement of financial performance reflects research grants amount of Kshs.987,657,199 which includes USAID Boresha Jamii grant amounting to Kshs.799,100,600 as disclosed in Note 7 to the financial statements. Further, Note 17 to

the financial statements reflects the same amount under expenses. However, Management did not prepare and submit a set of separate financial statements for audit as required by the agreement between the USAID and the University as detailed in the attachment to the agreement on Mandatory Standard Provisions for Non-US Non-governmental Organizations on Audits, which states that the recipient must have annual audit consistent with 2CFR Part 200, Subpart F, which requires that for any recipient fiscal year, in which the recipient expends a combined total of US \$750,000 or more in all federal awards, either directly or indirectly, the recipient must have an annual audit.

Further, the Project's expenditure of Kshs.799,100,600 related to research and other related expenses. However, details of the research works were not provided for audit review. In addition, an internal audit report by PwC dated 28 July, 2022 indicated that out of the total expenditure of Kshs.441,315,536 as at 31 January, 2022, an amount of Kshs.51,392,316 was ineligible or unsupported.

In the circumstances, the completeness and accuracy of the research expenses amounting to Kshs.799,100,600 could not be confirmed.

240. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.265,174,102 in respect of receivables from exchange transactions, which as disclosed in Note 22 to the financial statements, is net of provision for doubtful debts amount of Kshs.256,659,717. However, review of records revealed that some of the debts were long outstanding. In addition, the University's bad debts portfolio continue to increase at a high rate, and no effort appears to have been made by the University Management to recover the long outstanding debts.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.265,174,102 could not be confirmed.

241. Failure to Revalue Fully Depreciated Assets in Use and Disclose Obsolete Assets

As previously reported, the balance of property, plant and equipment of Kshs.3,474,654,607 as disclosed in Note 24 to the financial statements, includes fully depreciated assets with a total cost of Kshs.190,871,988 which were still in use but not revalued. In addition, review of the fixed asset register revealed undisclosed impaired and obsolete assets with a historical cost of Kshs.29,043,849.

In the circumstances, the valuation, completeness and accuracy of property, plant and equipment with a total cost of Kshs.219,915,837 could not be confirmed.

Other Matter

242. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipt on a comparable basis of Kshs.2,699,922,769 and Kshs.2,622,172,168, respectively resulting to underfunding of Kshs.77,750,601 or 3% of the budget. Similarly, the University spent an amount of Kshs.2,758,707,764 against an approved expenditure budget of Kshs.2,914,922,769 resulting in an under expenditure of Kshs.156,215,005 or

5% of the budget. Underfunding and under expenditure may have negatively affected the planned activities of the University to attain its intended objectives.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

243. Delayed Completion of Projects

The statement of financial position reflects property, plant and equipment balance of Kshs.3,474,654,607 which includes work in progress balance of Kshs.2,379,813,806 as disclosed in Note 24 to the financial statements. Review of payment vouchers and other documents revealed that the University made payments totalling Kshs.85,296,934 to various contractors.

However, field verification of the projects done in the month of February, 2023 revealed that the projects were incomplete with no contractors on sites. Further, the expected completion dates of the projects could not be ascertained.

In the circumstances, the University did not achieve value for money for the expenditure amounting to Kshs.85,296,934 on the projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

244. There were no material issues relating to effectiveness of internal controls, risk management and governance.

LAIKIPIA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

245. Direct Deposit Receipts Not Posted in Cash Book

As previously reported, the statement of financial position and as disclosed in Note 23 to the financial statements reflects cash and cash equivalents balance of Kshs.102,782,903. However, review of bank reconciliation statements revealed that direct deposits amounting to Kshs.7,694,265 in respect to thirteen (13) bank accounts had not been posted in the cashbook contrary to Section 90(3) of the Public Finance Management (National Government) Regulations, 2015 which require Accounting Officers to ensure that discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.102,782,903 could not be confirmed.

246. Property, Plant and Equipment

As previously reported, the statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.2,216,372,567 as at 30 June, 2022 which includes an amount of Kshs.547,088,000 representing the value of eighteen parcels of land measuring a total of 375.88 Hectares. According to the ownership documents presented for audit verification, sixteen of these parcels of land were still registered in the name of Egerton University at the time of audit in March, 2023.

Further, certificate of title for land reference number 8808/1 and 2912/12 of 8.102 hectares and 366.76 hectares, respectively, indicates that the parcels of land are registered under the Council of Laikipia University instead of Laikipia University.

In the circumstances, it has not been possible to confirm the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.2,216,372,567.

247. Receivables from Exchange Transactions

As previously reported and as disclosed in Note 24(i) to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.177,165,038. Included in this balance is long outstanding receivables totalling Kshs.66,600,307 relating to prior years out of which Kshs.64,737,484 relates to the University Campuses that have since been closed down. Most of the receivables have been outstanding for more than five years and may not be recoverable.

In the circumstances, the accuracy and collectability of the receivables balance could not be confirmed.

Other Matter

248. Budgetary Control and Performance

During the year under review, the Management over spent in the following three components against the approved budget;

Component	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Variance (Kshs.)	Variance (%)
Administrative Expenses	60,286,908	69,578,551	(9,291,643)	15.41%
Academic and Research Expenses	72,683,047	91,858,101	(19,175,054)	26.38%
Contracted Services	3,590,287	3,999,537	(409,250)	11.4%

There was no evidence provided for audit review to show that the Management obtained approval through supplementary budget on the excess expenditure.

In the circumstances, Management did not adhere to the approved budget.

249. Prior Year Matters

In the audit report for the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues nor given any explanation for failure to resolve the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

250. Delayed Projects Completion

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.2,216,372,567. Included in the balance is work in progress of Kshs.1,005,822,539 out of which projects worth Kshs.543,756,678 have gone past their completion date. These include:

- a. The Gate whose cumulative payments is Kshs.31,129,169 and fully paid for but 98% complete. The project was supposed to be completed in December, 2016.
- b. Science Complex Building whose cumulative payments is Kshs.119,165,806 and which is 67% complete but was supposed to be completed in June, 2022.
- c. Tuition Blocks whose cumulative payments is Kshs.392,620,703 and which is 79% complete but was supposed to be completed in June, 2018.
- d. The Administration Block, on the other hand, stalled after payment of Kshs.841,000.

Further, there is unexplained material variance of Kshs.7,497,594 between total payments made for the construction of the gate of Kshs.31,129,169 and contract sum of Kshs.23,631,575 as per contract signed on 26 February, 2015. The variation has not been justified.

In the circumstances, efficiency and effectiveness in use of public resources and value for money of the Kshs.543,756,678 could not be confirmed

251. Lack of Policy on External Examiners (Exams Moderation)

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.91,858,101 in respect of academic and research expenses out of which Kshs.3,537,210 was paid to external examiners (exam moderation). However, at the time of payment there was no approved policy on terms and conditions upon which external examiners were to be appointed contrary to Section 20(n) of the Charter for Laikipia University which states that the Council shall have powers to approve terms and conditions upon which internal and external examiners shall be appointed by the Senate.

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

252. Delayed Completion of ABN Unisol Project

The statement of financial position and as disclosed in Note 28 to the financial statements reflects intangible assets balance of Kshs.34,525,620 which further includes Kshs.24,812,400 in respect to ABN Unisol System. The contract for supply, installation, configuration, testing, training, and commissioning of the University –Wide Enterprise Resource Planning System was signed on 4 March, 2019 at a contract sum of Kshs.24,812,400 for a contract period of six (6) months from 4 March, 2019 with an expected completion date of 3 October, 2019.

However, as reported in the previous years, the system is classified as work-in-progress and had not been fully implemented as at January, 2023 approximately thirty-eight (38) months after the expected contract completion date. In addition, review of implementation progress report on the system dated 22 December, 2022 revealed that three modules under the system (medical, timetable and procurement) had pending requirements which were to be addressed by the system developer before training and commissioning of the ERP. As at the time of the audit, the University Management did not provide evidence to demonstrate that the issues identified were adequately addressed.

In the circumstances, efficiency and effectiveness in use of public resources and value for money of the Kshs.24,812,400 could not be confirmed.

253. Unsustainable Expenditure on Employee Cost

Review of the statement of financial performance revealed that the employee cost of Kshs.983,360,407 constitute 80% of the total revenue of Kshs.1,234,537,397 contrary to Section 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which puts a cap at 35% of the total revenue.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

254. There were no material issues relating to effectiveness of internal controls, risk management and governance.

UNIVERSITY OF KABIANGA

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

255. Payables from Exchange Transactions

The statement of financial position reflects payables from exchange transactions balance of Kshs.185,051,918 as disclosed in Note 24 to the financial statements. However, the following audit issues were noted:

255.1 Long Outstanding Payables

The balance of Kshs.185,051,918 includes salary creditors amount of Kshs.132,503,149 relating to pensions and other statutory deductions from employees, part of which had been outstanding since February, 2021. Management attributed the failure to remit the statutory and pensions deductions to lack of adequate finances from both the Government and internally generated sources. The continued non-remittance would occasion unwarranted penalties to the University. Further, the penalties that had accrued as at 30 June, 2022 had not been quantified and factored as an expense and liability in the financial statements.

In addition, ledgers maintained by the University on staff creditors reflect monthly totals of creditors instead of individual staff creditor. Further, ageing analysis was not provided for audit review.

In the circumstances, completeness and accuracy of the salary creditors balance of Kshs.132,503,149 could not be confirmed.

255.2 Failure to Disclose Related Party Bank Balance

The balance of Kshs.185,051,918 includes recurrent creditors amount of Kshs.47,308,170. One of the recurrent creditors was an entity of the University with twenty-five (25) invoices totalling Kshs.529,715. However, the entity had been in existence for less than one year, and therefore had not prepared and presented financial statements to the Auditor-General for audit. Further, the bank balance of the entity is not disclosed in the financial statements.

In the circumstances, accuracy and completeness of the financial statements could not be confirmed.

256. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 29 to the financial statements reflects property, plant and equipment balance of Kshs.2,290,073,052. However, the following audit issues were noted:

256.1 Unconfirmed Retention Money on Work in Progress

The balance of Kshs.2,290,073,052 includes capital work in progress amount of Kshs.634,933,540 which should attract a 10% retention of Kshs.63,493,354. However, this differs with the reported retention balance of Kshs.43,985,084 by an unexplained variance of Kshs.19,508,270. Management has explained that in some instances the retention was 5% as per agreement with contractors and not the 10% as indicated. However, Management did not explain how the basis for charging 5% was arrived at.

256.2 Unsupported Work-In-Progress

Work in progress register with details such as asset category, location of the asset, start date, expected completion date, percentage of completion, amount spent to date, class of assets transferred and dates of transfers if any, and balance of work in progress at the

end of the year, supporting the work in progress balance of Kshs.634,933,540, was not provided for audit review.

In the circumstances, accuracy of the work-in-progress totalling Kshs.634,933,540 could not be confirmed.

257. Unreconciled Student Data with Tuition Fees

The statement of financial performance reflects tuition fees amount of Kshs.223,100,742. However, review of records revealed that the University did not reconcile its enrolment data for the year with the billed data or income ledgers. As a result, it was not possible to match the revenues with the number of students at any given time.

In the circumstances, accuracy and completeness of the disclosed tuition fees of Kshs.223,100,742 could not be confirmed.

258. Offset of Bank Account Balances

The statement of financial position reflects cash and cash equivalents balance of Kshs.55,612,223 which, as disclosed in Note 20 to the financial statements, includes an overdraft of Kshs.45,310,312 relating to one of the bank accounts listed, which is offset against the positive balances of the other bank accounts. Further, paragraph 48 of the International Public Sector Accounting Standards (IPSAS) prohibits offsetting of assets and liabilities unless required or permitted by an IPSAS.

In the circumstances, accuracy and completeness of the cash and cash equivalents balance of Kshs.55,612,223 could not be confirmed.

259. Material Uncertainty Related to Sustainability of Services

The statement of financial position reflects current assets and current liabilities balances of Kshs.133,788,202 and Kshs.599,705,205 respectively, resulting to a negative working capital of Kshs.465,917,003. Further the University recorded a deficit of Kshs.181,082,819 for the year and accumulated deficit of Kshs.565,227,571 as at 30 June, 2022. However, Management did not make any disclosure on the face of the financial statements or in the Notes to the financial statements of the material fact that the University may not continue to sustain its services in the foreseeable future and the mitigating measures put in place by the university to reverse the above situation.

The University's financial statements have been prepared on a sustainability of services basis on the assumption that, it will continue to receive financial support from the Government, bankers and creditors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

260. Delayed Completion of University Library and Irregular Extension of Contract

Review of the contract for the construction of a library revealed that the University awarded a contract at a sum of Kshs.834,523,967. The contract commencement date was 8 June, 2017 and completion date was supposed to be 4 June, 2020 which was

extended to 2 September, 2022. Further, the contract was extended on 6 October, 2022 with a completion date of 2 September, 2022 which was already past at the time of extension.

In addition, the contractor requested for contract extension on 29 June, 2022, while the contract had lapsed on 4 June, 2020, which was more than two (2) years after the lapse of the contract. Audit inspection of the project carried out on 1 February, 2023 revealed that although the contractor was on site, the project had not been completed as per the contractual terms. There were no project progress reports to enable comparison of amounts paid against the certified work as at the end of the year. Management did not explain the basis of extending an already lapsed contract, neither were there committee minutes and professional opinion to support the extension of the contract.

In the circumstances, the University use of public resources was not efficient and effective.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

261. There were no material issues relating to effectiveness of internal controls, risk management and governance.

KARATINA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

262. Recoverability of Students Debts

The statement of financial position reflects receivables from exchange transactions balance of Kshs.102,707,167 as at 30 June, 2022 and as disclosed under Note 21 to the financial statements. The balance includes an amount of Kshs.92,514,964 in respect of student balances out of which students' balances totalling to Kshs.73,551,684 or 80% of the student's debts have been outstanding for over 730 days. The debt has accrued since the inception of the University. Further, the provision for bad debts of Kshs.1,850,299 for all the students' debts appears inadequate to cover the potential irrecoverable amounts.

In the circumstances, the recoverability of students' debtors balance of Kshs.92,514,964 as at 30 June, 2022 is in doubt.

263. Part-Time Lecturers' Outstanding Dues

263.1 Long Outstanding Part-Time Lecturers' Dues

The statement of financial position reflects trade and other payables balance of Kshs.98,093,831 and as disclosed under Note 28 to the financial statements, out of which a balance of Kshs.7,726,800 relates to part time lecturers' dues. The aging analysis

provided for audit review indicated that out of the total amount of Kshs.7,726,800, an amount of Kshs.7,290,000 or 94% of the dues have been outstanding for more than five years and relates to the period between 2014/2015 to 2018/2019. According to the Management, the claims have not been paid due to audit queries which are yet to be responded to by the applicants.

In the circumstances, the accuracy and completeness of amount due to part-time lecturers of Kshs.7,726,800 as at 30 June, 2022 could not be confirmed.

263.2 Contingent Liability

Note 5 to the financial statements disclosed significant judgements and sources of estimation uncertainty, the University has estimated contingent liability on unclaimed part time teaching for Private Self Sponsor Students (PSSP) of Kshs.58,888,900. However, details of the nature of the contingent liability, the indication of uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement have not been disclosed.

In the circumstances, the nature of the contingent liability of Kshs.58,888,900 as at 30 June, 2022 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

264. Unrecovered Rent Deposit

The statement of financial position reflects prepayments balance of Kshs.3,704,501 as at 30 June, 2022 and as disclosed under Note 20 to the financial statements. Included in this balance is an amount of Kshs.1,670,296 in respect of rent deposit for Nairobi Liaison Office at View Park Towers. The tenancy with the premise's owner was terminated and the University vacated the premises on 31 January, 2020. However, the rent deposit had not been paid back to the University as at 30 June, 2022.

In the circumstances, the delay in refund of rent deposit denies the University the needed financial resources and it is not clear when the University will receive the funds.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

265. There were no material issues relating to effectiveness of internal controls, risk management and governance.

UNIVERSITY OF ELDORET

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

266. Unsupported Student Debtors

The statement of financial position reflects receivables from exchange transactions balance of Kshs.250,082,912 which includes student debtors balance of Kshs.234,564,771 as disclosed in Note 23(a) to the financial statements. However, student debtor's movement schedule showing the opening balances, additions during the year, receipts and payments made and the closing balances was not provided for audit verification.

In the circumstances, the accuracy and completeness of student debtors balance of Kshs.234,564,771 could not be confirmed.

267. Unsupported Other Payables from Student Transactions

The statement of financial position reflects other payables from student transactions balance of Kshs.206,543,788 as disclosed in Note 28(b) to the financial statements which includes prepaid fees, balance of Kshs.125,534,492. Included in the balance is tuition fees received but not credited to the students accounts totalling to Kshs.62,270,832.

Further, Management seems not to be making efforts to identify the beneficiaries of the tuition fee received, post to the relevant revenue streams and credited to the student ledgers.

In the circumstances, the completeness and accuracy of other payables from student transactions balance of Kshs.62,270,832 could not be confirmed.

268. Lack of Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.1,041,025,765 as disclosed in Note 25 to the financial statements. The balance includes seventy-five (75) motor vehicles with net book value of Kshs.2,797,502. However, ownership documents for forty-three (43) vehicles recorded in the assets register were not provided for verification.

In the circumstances, the completeness and ownership of the motor vehicles balance of Kshs.2,797,502 could not be confirmed.

269. Unsupported Statement of Changes in Net Assets Balances

The statement of changes in net assets reflects revenue reserves balance of Kshs.313,965,812 which includes negative adjustments of Kshs.20,160,713 described as opening balances and Kshs.6,622,970 as prior year adjustments. The Management has explained that these adjustments related to prior years. However, the adjustments explanatory note has not been included in the notes to the financial statements.

In the circumstances, the accuracy and completeness of the statement of changes in net assets balance of Kshs.313,965,812 could not be confirmed.

Other Matter

270. Loss Making Income Generating Activity

The statement of financial performance for the year ended 30 June, 2022 reflects Income Generating Activities (IGA) income of Kshs.13,481,987 which is an improvement from the profit made in the comparative year of Kshs.4,165,085. However, on individual IGA performance, catering made a loss of Kshs.989,857, down from a profit of Kshs.73,405 in the previous year. Management has not provided an explanation for the decline and steps to reverse the trend.

In the circumstances, losses by IGA's affect the overall financial performance of the University.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

271. Delayed Completion of Construction Works

The statement of financial position reflects Work-In-Progress (WIP) balance of Kshs.462,784,145 as disclosed in Note 26 to the financial statements. The balance includes construction of School of Business Studies and Economics Complex amount of Kshs.241,640,240. However, the project had not been commissioned three (3) years seven (7) months after the completion date of 31 May, 2019. Review of documents revealed that the project was initially planned to be completed on 6 September, 2017 but was revised to 31 May, 2019. At the time of physical verification done in the month of January, 2023 the project still had some works and defects to be corrected.

Further, the work-in-progress balance includes proposed construction of Amphitheater amount of Kshs.143,302,860. Review of records revealed that the contract was awarded at a contract sum of Kshs.373,000,000 for a period of seventy-eight (78) weeks starting 10 June, 2019 and ending on 14 December, 2020. Physical verification in the month of January, 2023 revealed that the works were at 65%, nine (9) months after the revised completion date of 21 April, 2022.

In the circumstances, value for money was not achieved.

272. Irregular Payment of Acting Allowances

The statement of financial performance as disclosed in Note 10(a) to the financial statements reflects staff remuneration cost amount of Kshs.1,729,391,983 which included personal emoluments amounting to Kshs.1,086,682,735 out of which an amount of Kshs.8,315,307 was paid as acting allowance. However, some employees had acted for more than six (6) months without being confirmed. This is contrary to Clause 26.10(c) of the Supplementary Collective Bargaining Agreement (CBA) between University and Universities Academic Staff Union (UASU) which states that where a vacancy exists in

the office of a Head of Department, an acting appointment may be confirmed within six months. Further, the positions against which the staff were acting were not supported by staff establishment and declaration of vacancies.

In the circumstances, Management was in breach of Collective Bargaining Agreement (CBA) between University and Universities Academic Staff Union.

273. Non-Compliance with the National Cohesion and Integration Act, 2008

Review of personnel records revealed that the University has one thousand, one hundred and sixty-nine (1,169) employees out of whom six hundred and sixty-two (662) or 57% of the total number were staff from one dominant community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and 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.

274. Budget Over-Collection and Over-Expenditure

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.2,441,108,226 against an actual performance of Kshs.2,487,388,141 thereby leading to over collection of revenue by Kshs.46,279,915. Similarly, the statement reflects a final expenditure budget of Kshs.2,441,108,225 against an actual expenditure of Kshs.2,424,731,307 thereby leading to an unauthorized over expenditure of Kshs.16,376,919.

In the circumstances, the over-collection and over-expenditure is an indication of funds not applied for the intended purpose.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

275. Long Outstanding Debtors

The statement of financial position reflects receivables from exchange transactions balance of Kshs.250,082,912 as disclosed in Note 23(a) to the financial statements which includes student debtors balance of Kshs.234,564,771. However, the following observations were made:

- i. Out of the student's debtors balance of Kshs.234,564,771, an amount of Kshs.183,162,464 has been outstanding for a period of over four (4) years and its recoverability is doubtful. However, the Management has not provided measures taken to recover the funds from concerned students.
- ii. Included in receivables from other transactions is staff imprest balance of Kshs.6,105,152. The balance includes imprest totalling to Kshs.4,492,107 which has been outstanding for a period of over four (4) years and the Management has not recovered the imprest from the defaulters.

documentary evidence was provided to support the balance of Kshs.80,035,250, including any interim certificates issued in that regard.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,246,142,540 could not be confirmed.

283. Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects a deficit for the year of Kshs.57,942,929 (2020/2021 deficit: Kshs.185,893,054). As a result, and after a transfer of Kshs.44,058,237 with respect to depreciation/amortization from capital fund to retained earnings, revenue reserves reduced from Kshs.137,786,115 in 2020/2021 to Kshs.123,901,423 in the year under review.

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

Other Matter

284. Budgetary Control and Performance

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

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

285. Unresolved Prior Audit Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

286. Non-Compliance with Law on Ethnic Diversity

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

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

287. Long Outstanding Receivables from Exchange Transactions

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

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

In the circumstances, Management was in breach of the law and the recoverability of the long outstanding receivables is in doubt.

288. Excess Wage Bill

The statement of financial performance reflects an amount of Kshs.883,659,546 in respect of employee costs as disclosed in Note 15 to the financial statements, which represents 80% of total revenues of the University for the year of Kshs.1,107,533,675. This is contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that 'staff costs of a public entity should not exceed 35% of its total revenue'.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

289. Failure to Establish Approved ICT Policies

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

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

KIRINYAGA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

290. There were no material issues noted during the audit of the financial statements of the University.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

291. Delayed Project Implementation

The statement of financial position reflects property, plant and equipment balance of Kshs.1,887,270,532 as disclosed in Note 20 to the financial statements. This balance includes Kshs.155,467,607 in respect to work-in-progress for construction of lecture theatre. As reported in the previous year, the tender for the construction of lecture theatre was awarded to a contractor at a sum of Kshs.149,226,532 for a contract period of 52 weeks commencing on 29 May, 2017, with an expected completion date of 28 May, 2018. However, the contract price was later revised by Kshs.35,167,406 to Kshs.184,393,938 (23.5%) and the expected completion period has since been revised eight (8) times to 259 weeks, an increase of 207 weeks.

In the circumstances, the University risked incurring additional costs on the project due to inflation, delays and revisions of contract periods. Further, the University may not get value for money on the project as the facility was not available for use in time as planned.

292. Employee Costs

292.1 Non-Compliance with One-Third Basic Salary Rule

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects Kshs.527,070,247 in respect to employee costs which includes Kshs.239,635,059 in respect to basic salaries. However, review of payroll records revealed that twenty-three (23) employees earned less than a third of the basic salaries in different months, contrary to Section 19(3) of the Employment Act, 2007 which provides that, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

292.2 Non-Compliance with Staff Ethnic Diversity

As reported in the previous year, analysis indicated that out of the total 259 employees, 183 employees (70.7%) workforce was from the dominant ethnic community in the County, contrary to Section 7(2) of National Cohesion and Integration Act, 2008 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.

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

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects employee costs of Kshs.527,070,247. The employee costs accounts for sixty-nine percent (69%) of total revenue of Kshs.767,854,047 contrary to Section 26(a) of Public Finance Management (National Government) Regulations, 2015 on fiscal responsibility principles, which provides that, expenditure on the compensation to employees shall not exceed thirty-five (35%) percent of the total revenue.

Further, the University may not be in a position to meet other essential services since employee cost exceeds the required thresholds as a greater percentage of its income is spent on staff costs.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

293. There were no material issues relating to effectiveness of internal controls, risk governance management and governance.

MACHAKOS UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

294. There were no material issues noted during the audit of the financial statements of the University.

Other Matter

295. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.1,626,759,858 and Kshs.1,578,442,553 respectively, resulting to under-funding of Kshs.48,317,305 or 3% of the budget. Further, the statement reflects actual total expenditure of Kshs.1,413,069,323 against approved budget of Kshs.1,626,759,858 resulting to under-performance of Kshs.213,690,535 or 13% of the budget.

The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

296. Advance Payment to a Supplier without Security

The statement of financial position reflects property, plant and equipment balance of Kshs.2,828,030,895 as disclosed in Note 15 to the financial statements. Included in the balance was Kshs.16,638,507 relating to computers, out of which Kshs.2,790,889 was paid in advance for provision and maintenance of internet infrastructure. Examination of records revealed that the supplier was paid an amount in excess of 20% of the invoice value without security bond which was contrary to the provisions of Section 147(1) of the Public Procurement and Asset Disposal Act, 2015 that provides that an advance payment should be paid upon provision of an advance payment security equivalent to the advance itself and that security shall be given by a reputable bank or any authorized financial institution. In addition, no explanation was provided on why the payment was made for works that were to be executed later.

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

297. Delay in Completion of Tuition and Office Block

The University entered into a contract with a local company on 20 July, 2017 for construction of tuition and office block at a contract sum of Kshs.986,761,116 and a contract period of one hundred and fifty-six (156) weeks commencing on 20 July, 2017 to be completed on 20 July, 2020. The contract period was subsequently revised to two hundred and forty-four (244) weeks with a revised expected completion date of 14 March, 2022 as per interim payment certificate No.29 of 23 December, 2021. Further review of documents revealed that the University had paid the contractor and subcontractors a total of Kshs.454,736,635 for the total value of works certified which included interest on delayed payments of Kshs.5,408,146. Records provided for audit review indicated that the contract expired on 14 March, 2022 while the completion level was at 72%. Physical verification carried out in December, 2022 revealed that there were no ongoing works on site.

In the circumstances, the University did not obtain value for money from the project.

298. Irregular Payment of Allowances

The statement of financial performance reflects academic expenditure figure of Kshs.84,663,034 as disclosed in Note 11 to the financial statements. Included in this figure was Kshs.5,436,620 relating to Commission for University Education (CUE) out of which Kshs.555,300 was paid to fifty-three (53) officers as allowances for attending a Senate retreat. However, officers were earning allowances despite being ferried daily to the venue which was contrary to the Salaries and Remuneration Commission Circular of 20 November, 2017, and Section 68(1) of the Public Finance Management Act, 2012, which prohibits use of public resources in a way that is lawful and authorized.

299. Irregular Provision of Legal Services

The statement of financial performance reflects an amount of Kshs.162,432,935 in respect of administration and operations expenses as disclosed in Note 12 to the financial statements. Included in the amount was Kshs.5,985,005 for legal expenses out of which Kshs.2,409,666 was paid to a law firm without approval from the Attorney General. This was contrary to Section 17(1) of the Attorney General Act of 2012 which requires Ministry or Department to obtain approval so as to engage consultants to render any legal services.

Management did not provide a Service Level Agreement between the law firm and the University as required by Section 135(1) of the Public Procurement and Asset Disposal Act, 2015.

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

300. Irregular Security Expenses

The statement of financial performance reflects an amount of Kshs.162,432,935 in respect of administrative and operations expenses as disclosed in Note 12 to the financial statements, which includes an amount of Kshs.9,343,271 relating to security expenses. However, this expenditure includes an amount of Kshs.2,916,883 which was paid to Kenya Police (Kshs.1,886,883), Vice Chancellor (Kshs.630,000) and Head of Security (Kshs.400,000) in cash without justification.

In the circumstances, accountability of the funds and related taxes could not be confirmed

301. Non-Adherence to National Cohesion and Integration Act Provisions

Review of human resource documents revealed that the University had four hundred and eighty-two (482) employees out of which two hundred and ninety (290) or 60% of the workforce were from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third or 30% of its staff from the same ethnic community.

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

302. Non-Adherence to Fiscal Responsibility Principle on Personnel Emoluments

The statement of financial performance reflects an amount of Kshs.1,055,222,318 in respect of employee costs as disclosed in Note 9 to the financial statements. The amount represents 69% of the total revenue of Kshs.1,531,420,332 contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which provides that total expenditure on staff costs of a public entity should not exceed 35% of the total revenue of the entity.

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

303. Irregular Payments for Council Expenses

The statement of financial performance reflects an amount of Kshs.12,510,404 in respect to council expenses as disclosed in Note 10 to the financial statements. This includes

Kshs.1,266,194 paid as allowances to Council Members for a meeting held outside the registered University offices without approval, contrary to Section 8(1)(c) of the State Corporations Act, 2012. Further, Management paid an amount of Kshs.506,250 for conference facilities to unqualified firm.

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

304. Non-Adherence to Human Resource Policies and Procedures

The statement of financial performance reflects employment costs amounting to Kshs.1,055,222,318 as disclosed in Note 9 to the financial statements. Review of documents revealed the following anomalies:

304.1 Weak Staff Establishment Controls

The University had an approved staff establishment which did not include the approved number of staff per job group and department, making it not possible to confirm whether the University was over or understaffed and whether recruitment and promotions were in line with the staff establishment.

This was contrary to the provisions of Section A.15 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding staff establishment and complement controls.

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

304.2 Staff Serving in Acting Capacity for Periods Exceeding Six Months

Examination of payroll and human resources records revealed fifty-one (51) officers had been holding positions in acting capacity for periods exceeding six (6) months, with some acting for more than two (2) years. Review of sample personal files showed that some of the contracts for the acting positions had been renewed with effect from January, 2023 an indicator that Management had no plans for recruitment for the positions contrary to Section 34(3) of the Public Service Commission Act, 2017 which states that an Officer may be appointed in an acting capacity for a period of at least thirty (30) days but not exceeding a period of six (6) months.

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

304.3 Irregular Engagement of Casual Employees

Review of records and payments made to casual employees showed that Management continuously engaged casuals for more than three (3) months contrary to Section 37(1) of Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month shall be deemed to be one where wages are paid monthly.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

305. There were no material issues relating to effectiveness of internal controls, risk management and governance.

MURANG'A UNIVERSITY OF TECHNOLOGY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

306. Material Uncertainty Related to Sustainability of Services

As previously reported, the statement of financial position reflects total current liabilities balance of Kshs.292,529,828 which exceeds total current assets balance of Kshs.175,183,667 resulting to a negative working capital amount of Kshs.117,346,161 meaning that the University is unable to meet its financial obligations as and when they fall due casting significant doubts on its ability to continue to sustain its services. This material uncertainty had not been disclosed in the notes to the financial statements.

The University is therefore unable to pay its creditors and its continued sustainability is dependent upon the financial support from its creditors and the Government.

307. Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.2,053,594,599 in respect of property, plant and equipment as disclosed in Note 23 to the financial statements. The following anomalies were noted;

307.1 Leasehold Land Without Ownership Documents

As reported in the previous year, Note 23 to the financial statements reflects a balance of Kshs.2,053,594,599 in respect of property, plant and equipment which includes a balance of Kshs.750,000,000 for lease hold land measuring 30.95 hectares located within Murang'a Town with a name of Murang'a University College. It was noted that Murang'a University College and Murang'a University of Technology are separate and different entities. Further, information provided indicated that twelve (12) parcels of land had no records at Lands Office and title deeds had been issued to unidentified persons who had encroached and erected permanent structures as established through physical verification carried out in the month of November, 2022.

307.2 Lack of Ownership Documents for Motor Vehicles

Note 23 to the financial statements reflects a balance of Kshs.2,053,594,599 in respect of property, plant and equipment which includes a balance of Kshs.11,990,503 Net Book Value (NBV) for eleven (11) motor vehicles held by the University. Examination of records revealed that logbooks for five (5) motor vehicles were in the Name of Murang'a College

of Technology and six (6) motor vehicles in the name of Murang'a University College, all valued at Kshs.34,964,172. However, Murang'a College of Technology and Murang'a University College are different and separate entities from Murang'a University of Technology. Further, motor vehicle registration number KAY 095V, an ISUZU bus, has a joint ownership between Murang'a College of Technology and Consolidated Bank of Kenya.

307.3 Unsupported Repairs and Maintenance

Note 23 to the financial statements reflects a balance of Kshs.2,053,594,599 for property, plant and equipment which includes an amount of Kshs.1,194,838,723 for buildings. Included is an amount of Kshs.4,983,140 which was paid to a supplier for servicing or shifting of a 750KVA Generator set and a new L.V. Main Switch Board. However, no documentary evidence was provided to show the kind of services done on the generator. Inspection carried out in the month of November, 2022, revealed that the generator was not in operation. Further, the certificate of inspection and acceptance committee was not provided for audit review.

In the circumstances, the valuation, existence and ownership status of the property, plant and equipment balance of Kshs.2,053,594,599 could not be confirmed.

308. Long-Term Investments Not Registered in University's Name

The statement of financial position reflects a balance of Kshs.25,318,800 in respect of long-term investments being 126,594 shares held in Bamburi Cement company as disclosed in Note 25 to the financial statements. However as reported in the previous period, the shares were registered in the names of the trustees of Murang'a Technical College at inception of the University. Although Management indicated that the process of registering the shares in the name of the University had commenced, the process had not been completed as at the time of the audit in the month of November, 2022.

In the circumstances, the validity, accuracy and existence of the shares investment balance of Kshs.25,318,800 could not be confirmed.

309. Long Outstanding Student Debtors

The statement of financial position reflects a balance of Kshs.42,368,065 in respect of receivables from exchange transactions and as disclosed in Note 20 to the financial statements which is net of provision of doubtful debts amount of Kshs.2,229,898, and includes a balance of Kshs.36,189,986 in respect of gross students' debtors. However, an amount of Kshs.11,468,862 included in the gross students' debtors balance had been outstanding for a period beyond one year and no effort had been made by Management to recover the debts.

In the circumstances, the completeness, accuracy and recoverability of receivables from exchange transactions balance of Kshs.11,468,862 could not be confirmed.

310. Long Outstanding Payables

The statement of financial position reflects a balance Kshs.242,347,226 in respect of payables from exchange transactions. However, as reported in the previous year, the

balance includes long outstanding payables balance of Kshs.418,466 and Kshs.6,916,100 in respect of wages payable and gratuity payable to former Board of Governors (BOG) and employees respectively. The University had not taken any steps to clear them. Further, detailed analysis of the balances was not provided for audit review.

In the circumstances, the completeness and accuracy in respect of wages and gratuity payables balance of Kshs.418,466 and Kshs.6,916,100, respectively could not be confirmed.

311. Outstanding Collective Bargaining Agreement (CBA) Arrears

The statement of financial performance reflects an amount of Kshs.676,533,176 in respect of personnel emoluments, out of which an amount of Kshs.104,222,467 relate to 2017-2020 CBA arrears which have remained unpaid over the years as Management had not implemented the 2017-2020 CBA in full thereby accumulating the arrears.

In the circumstances, the accumulation of CBA arrears may adversely affect cash management in future and may threaten sustainability of services to the students.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

312. Non-Compliance with Law on Ethnic Composition

In the financial year ended 30 June, 2022, the University had a total staff of three hundred and eighteen (318), out of which one hundred and ninety-two (192) or 60% were from one dominant ethnic community. This is contrary to the requirements 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.

313. Unapproved Expenditure

The statement of financial position reflects a balance of Kshs.2,053,594,599 in respect of property, plant and equipment which includes an amount of Kshs.18,402,395 for asbestos removal and replacement. Included in the contract cost is provisional sum of Kshs.650,000 for electrical repair works, Kshs.300,000 for project documentation and management expenses and Kshs.1,000,000 for contingencies all totalling to Kshs.1,950,000, not included in the initial contract. Further, the amounts were paid to the contractor without approval of the expenditure. This is contrary to Section 139(1)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that an amendment or a variation to a contract resulting from a procurement proceeding is effective only if amendment or variation to contract has been approved in writing by the respective tender awarding authority within a procuring entity.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

314. There were no material issues relating to effectiveness of internal controls, risk management and governance.

RONGO UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

315. Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.41,492,188. Further, the statement of financial position and, as disclosed in Notes 11 to 15 and 19 to 21 to the financial statements, reflects a current assets balance of Kshs.141,924,047 and a current liabilities balance of Kshs.362,492,083 respectively resulting in a negative working capital of Kshs.220,568,036. This implies that the University is technically insolvent and may not be able to sustain its services in the foreseeable future. The University has not made any disclosures on the face of the financial statements or the Notes of the material fact that it may not sustain its services.

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

Emphasis of Matter

316. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs.1,008,332,467 and actual receipts of Kshs.995,261,562 resulting to a net deficit of Kshs.13,070,905. Similarly, the statement reflects total budgeted expenditure of Kshs.1,008,332,467 and actual expenditure of Kshs.984,229,425 resulting to an under-absorption of Kshs.24,103,042. The under-collection and under-absorption may have affected the planned activities of the University.

My opinion is not qualified based on this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

317. Human Resource Management and Compensation of Employees

317.1 Non-Compliance with Law on Ethnic Composition

Review of payroll and other human resource records revealed that the total number of staff employed by the University was four hundred and twenty-five (425) out of whom three hundred and eleven (311) or 73% were from one ethnic community. This was

contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and 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.

317.2 Excess Employee Costs

The statement of financial performance and, as disclosed in Note 5 to the financial statements, reflects employee costs of Kshs.692,469,637. The amount constitutes 75% of the total receipts of Kshs.925,155,562. This was contrary to Regulation 26(1)(a) of the Public Finance Management Act (National Government) Regulations, 2015, which limits the expenditure on wages and remuneration allowances to 35% of the total receipts.

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

317.3 Prolonged Acting Positions

Review of employment records revealed that twelve (12) departments were headed by individuals who have been acting for periods of more than one year. There were no plausible reasons for not competitively filling those positions with substantive appointments. This was contrary to the provisions of Section 34(3) of the Public Service Commission Act, 2017, which provides that, an officer may be appointed in an acting capacity for a period of at least thirty (30) days but not exceeding a period of six (6) months. In addition, Section 1.3.9 of the University's Human Resource Manual provides that an officer shall not be in an acting position for more than one year unless such an appointment is renewed.

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

318. Receivables from Exchange Transactions - Overdue Student Debtors

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

In the circumstances, Management was in breach of the University's Financial Management Policy.

319. Work-In-Progress

The statement of financial position reflects balance of Kshs.2,077,182,959 in respect of property, plant and equipment which, as disclosed in Note 17 to the financial statements, includes balances of Kshs.766,989,984 and Kshs.54,295,275 in respect of the University's and mentor institution work-in-progress, respectively. However, the following unsatisfactory matters were observed:

319.1 Delay in Completion of a Library

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

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

319.2 Stalled Construction of a Hostel Block

Review of records for the construction of three-storey hostel block revealed that the University awarded a tender to a contractor to construct the block at a contract sum of Kshs.95,571,020. The commencement date of the contract was 16 May, 2015 and the expected completion date was 30 June, 2016. The University paid an amount of Kshs.18,311,762 towards the construction of the hostel. Physical verification of the works in January, 2023 revealed that the project had been done up to the foundation level and then abandoned leading to vandalism of iron rods (Y-18) used in erecting columns as well as building blocks that had been laid.

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

319.3 Unutilized Main Gate and Gate House

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

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

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

320. Payables from Exchange Transactions

320.1 Failure to Remit Pension Contributions

The statement of financial position and as disclosed in Note 19 to the financial statements reflects an amount of Kshs.318,567,426 in respect of payables from exchange

transactions which includes an amount of Kshs.211,731,029 for payroll creditors which in turn includes unremitted amounts of Kshs.130,830,357 and Kshs.6,506,621 in respect of pension fund and provident fund respectively. This was contrary to Section 19(4) of the Employment Act, 2012 which states that 'an employer who deducts an amount from an employee's remuneration in accordance with Sub-Sections 1(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be'.

In the circumstances, the University was in breach of the law and risked incurring avoidable costs in form of penalties and interest.

320.2 Failure to Pay Part-Time Lecturers

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

321. Lack of an Approved Staff Establishment

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

In the circumstances, it was not possible to establish whether the number of staff employed by the University was at an optimal operating level.

322. Non-Implementation of E-Procurement System

Review of procurement records during the financial year under review revealed that the University did not undertake all their procurements through the e-procurement module as required by Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

In the circumstances, Management did not put in place a proper system to ensure efficient coordination of procurement and disposal procedures.

323. Gaps in the ICT Control Environment

Review of the University's identified ICT Environment revealed the following gaps which need to be addressed.

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

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

TAITA TAVETA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

324. Inaccuracies in the Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 18(a) to the financial statements reflects a balance of Kshs.38,131,772 in respect of receivables from exchange transactions. The amount includes Kshs.37,880,331 for student debtors net of five (5%) percent impairment. Review of the student debts schedule revealed that the opening balance of students debtors was Kshs.28,803,508 while the prior period financial statements reflected a balance of Kshs.34,482,567 resulting to an unexplained variance of Kshs.5,679,059.

In the circumstances, the completeness and accuracy of receivables from exchange transactions balance of Kshs.38,131,772 could not be confirmed.

325. Uncertainty Related to Sustainability of Services

The statement of financial position reflects total current liabilities balance of Kshs.269,354,476 which exceeded current assets balance of Kshs.59,123,554, resulting in a negative working capital of Kshs.210,230,922. Further, the University reported a deficit of Kshs.5,977,742 for the year ended 30 June, 2022. This is an indication of existence of material uncertainty which may cast a significant doubt on the University's ability to sustain its services and to meet its financial obligations as and when they fall due.

In the circumstances, the University may not be able to meet its current obligations as and when they fall due and may continue to depend on support from the Government and creditors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

326. Non-Compliance with the Law on Ethnic Composition

Review of staff establishment records revealed that one ethnic community represents thirty-seven (37%) per cent of the employees in the University. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community".

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

327. Non-Compliance with the One-Third of Basic Salary Rule

Review of payroll records revealed that, twenty-one (21) employees earned a net salary of less than a third (1/3) of the basic salary. This is contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time should not exceed two thirds of such wages.

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

328. Incomplete Enterprise Resource Planning (ERP) System

The University contracted for supply, installation, implementation and commissioning of an ERP system on 18 September, 2015 at a contract sum of Kshs.17,580,103, with an implementation timeline of fourteen (14) weeks. However, the vendor did not deliver as per the agreement despite payment amounting to Kshs.15,297,884 prompting the University to terminate the contract and advertise for a new one.

The new contract was awarded at a sum of Kshs.1,861,800 on 23 April, 2021 for a duration of seventeen (17) weeks. The contractor established that the developer license for the system had expired. As at the close of the financial year in June, 2022, an amount of Kshs.558,540 had been paid to the new contractor. However, verification conducted during the month of February, 2023 revealed that the contractor had not completed the services as per the contract agreement.

In the circumstances, value for money had not been realized from the system despite the expenditure of Kshs.15,856,424.

329. Incomplete and Stalled Development Projects

The statement of financial position reflects property, plant and equipment balance of Kshs.3,916,532,122 as disclosed in Note 22 to the financial statements. Included in the balance is an amount of Kshs.725,414,281 which further includes an amount of

Kshs.476,851,164 in relation to capital works-in-progress whose project completion periods have since elapsed or projects had stalled.

- (i) The University awarded contracts for construction of Administration Block Main Campus at a contract price of Kshs.280,870,539 and for construction of Administration Block at Taita Taveta University at a contract price of Kshs.87,531,993 on 23 October, 2017 for a period of fifty-two (52) weeks and one hundred and four (104) weeks respectively. Similarly, the University awarded a contract for construction and equipping of Mines, Fuel and Mineral Processing Phase III at Main Campus at a contract sum of Kshs.98,857,625 on 10 March, 2020. However, as at the time of audit in February, 2023, the three projects were still incomplete with a percentage completion of seventy-three (73%), eighty-two (82%) and fifty-six (56%) percent respectively.
- (ii) The University awarded contracts for construction of Water Treatment Plant and Dairy Shed at Taita Taveta University – Ngerenyi Centre at a contract sum of Kshs.3,579,139 and for construction of two (2) classrooms block phase 1 at Taita Taveta University – Ngerenyi Centre at a contract sum of Kshs.6,011,868 on 25 October, 2016. However, physical verification of the project carried out in March, 2023 and February, 2023 respectively revealed that although the projects were at sixty-five (65%) and sixty-three (63%) per cent complete, they had stalled.

In the circumstances, value for money had not been realized from the projects.

330. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.166,263,592 as disclosed in Note 27 to the financial statement. The trade and other payables include a balance of Kshs.81,274,944 (49%) owed to part-time lecturers that had been outstanding for over (90) days. Further, an amount of Kshs.2,367,360 due to the Auditor-General, being audit fees for audit services provided had been outstanding since 2019; contrary to Section 41 (c) of Public Audit Act, 2015 which require funds of the Office of the Auditor-General to consist of audit fees charged at rates prescribed by the Auditor-General.

In the circumstances, the University Management is in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

- 331.** There were no material issues relating to effectiveness of internal controls, risk management and governance.

THE CO-OPERATIVE UNIVERSITY OF KENYA

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

332. Long-Outstanding Accounts Receivables

The statement of financial position and Note 20 to the financial statements reflect a balance of Kshs.92,376,559 in respect of receivables from exchange transactions. This was an increase of Kshs.30,489,761 or 49% from the prior year balance of Kshs.61,886,798. The receivables include amounts due from the Nairobi City County dating back to the year 2015. The dues were long outstanding and had not been reflected in the Nairobi City County records as payables to the University.

In the circumstances, the existence and recoverability of the receivable's balances could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

333. Non-Compliance with University Charter

Section 13(1) of the University Charter on appointment of the Chancellor indicates that the University shall have a Chancellor appointed by the President who shall confer degrees and grant diplomas, certificates and other awards of the University. However, information provided indicates that the University has not had a Chancellor for a long period of time. The Management explained that the first Chancellor of the Co-operative University of Kenya resigned in mid - 2017. The University therefore embarked on the process of appointing a new Chancellor as per the requirements of the University's Act. The University, in January, 2019, submitted the shortlisted candidates for appointment to the Ministry of Education who would then recommend to the appointing authority. The University was still awaiting for a response.

In the circumstances, it was not clear when the University will have a Chancellor appointed.

334. Officers Working Beyond 60 Years

During the year under review, the University retained a senior office administrator II who was above 60 years of age contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service which states that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the Government from time to time.

In the circumstances, the University was in breach of the law since the officer retired at the age of 62 years during the closure of the financial year.

335. Unutilized Enterprise Resource Planning System

The University contracted a supplier for the implementation of an Enterprise Resource Planning (ERP) system at a contract sum of Kshs.18,450,070 on 18 September, 2014. The system comprised of four (4) modules namely; Finance Applications, Human Resource Application, Academic modules and ICT Features/Capabilities. Audit inspection conducted during the year under review revealed that although the University operated an automated payroll system, the payroll was manually updated and lacked the following key staff information: staff personal details which include; date of birth, date hired, national identification number, KRA pin number, job grade, employee banking details and bank account number.

Further, according to Appendix A, 4.12 feature 12: payroll module of the service level agreement, among the reports the system was expected to generate were staff details and bio data, employee banking details, direct electronic remittance to the bank report, a payroll analysis report and access to payroll past data. The agreement further depicts clearly how the four modules were integrated to work efficiently. However, Management was unable to access parts of the system and generate detailed reports.

In addition, the University did not utilize the system effectively and no explanation was provided for the anomaly since the University had interacted with the system since 18 September, 2014.

In the circumstances, the University may not have effectively realized value for money utilized in the implementation of the ERP system.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

Basis for Conclusion

336. Poor Stores Management

Physical inspection conducted in the month of August, 2022 in the University's stores revealed that the store was congested, not properly ventilated and supplies were not well-arranged making it difficult to access all the items in the store contrary to Section 177(a) of the Public Procurement and Asset Disposal Regulation, 2020 which states that the officer in charge of stores of a procuring entity shall ensure that the store-rooms are kept clean, properly ventilated and in good condition and that the stores are well arranged and easy to access.

In the circumstances, the existence of an effective control and risk management of the stores could not be confirmed.

337. Untagged Assets

Review of the fixed asset register and physical verification revealed that the assets valued at Kshs.43,701,167 were not tagged for ease of identification and movement contrary to Section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting Officer of a National Government entity shall

take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

In the circumstances, proper control and ease identification of the assets could not be achieved without the tagging.

GARISSA UNIVERSITY

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

338. Unsupported Payment of Part-Time Lecturers

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects use of goods and services expenditure of Kshs.144,951,000. Included in this balance is an amount of Kshs.46,448,000 for payment of part-time lecturers. Review of payment vouchers and supporting documents revealed that an amount of Kshs.32,116,878 paid to the part-time lecturers was not supported by records on courses on offer on part-time, application letters of the part timers, Dean of Schools list of identified potential part timers, courses allocated and approval by Committee of Deans.

In the circumstances, the accuracy, completeness and validity of the part time expenditure of Kshs.32,116,878 could not be confirmed.

339. Unsupported Board Expenses

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects board expenses amounting to Kshs.7,649,000. Review of the payment vouchers and supporting documents revealed that an expenditure of Kshs.1,949,502 paid in respect to Council expenses had not been supported by Council minutes and attendance registers for the meetings held in July and September, 2021 and others held in January, May and June, 2022.

In the absence of the aforementioned documents, audit could not confirm whether the meetings took place to guarantee the payment of the allowances.

In the circumstances, the validity, accuracy, occurrence and completeness of the Board expenses of Kshs.1,949,502 could not be confirmed.

340. Doubtful Recoverability of Trade and Other Receivables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other receivables balance of Kshs.18,266,000 in respect of student receivables (outstanding fees). However, ageing analysis was not done to determine which debts were recoverable, doubtful and to be written off. In addition, there was no evidence of any action taken by the University to recover the receivables apart from issuance of the periodic fee reminder circulars.

In the circumstances, the University may not be able to recover the outstanding fees of Kshs.18,266,000.

341. Unsupported Training and Capacity Building Expenses

The statements of financial performance and as disclosed in Note 14 to the financial statements reflects use of goods and services amount of Kshs.144,951,000 out of which an amount of Kshs.3,047,000 was incurred on training. Review of payment records and other supporting documents revealed that the University incurred an amount of Kshs.3,047,000 but did not provide training needs assessment, a training program and a work plan. In the absence of the aforementioned documents, the audit could not confirm whether the training activities took place to support the incurred expenses. Further, an expenditure of Kshs.741,040 was incurred by an officer for training outside the country which was not approved by the University Council.

In the circumstances, the regularity and completeness of the training expense amounting to Kshs.3,788,040 could not be confirmed.

342. Irregular Payment of Acting Allowances

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.397,231,000 as employee costs which included an amount of Kshs.2,226,223 paid as acting allowances to three (3) employees who were acting as the Vice Chancellor and two (2) Deputy Vice Chancellors for a period of more than six (6) months. This is contrary to Part C.14(1) of the Public Service Human Resource Policies and Procedures, 2016 which requires acting allowances not to be paid for a period exceeding six (6) months.

In the circumstances, the accuracy and regularity of acting allowance amounting to Kshs.2,226,223 could not be confirmed.

Other Matter

343. Variances Between Statement of Financial Performance, Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual revenue and expenses of Kshs.590,155,000 and Kshs.575,628,000 respectively which differs with the statement of financial performance amounts of Kshs.584,185,000 and Kshs.584,428,000 respectively resulting to unexplained variance of Kshs.5,970,000 and Kshs.8,800,000 respectively.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

344. Over-Expenditure on Food and Catering Expenses

The statement of financial performance reflects total expenditure on use of goods and services of Kshs.144,951,000. Included in this amount is an expenditure of Kshs.14,859,000 on catering expenses (food items) as reflected in Note 14 to the financial statements. It was observed that the procurement plan had set provision of an amount of

Kshs.9,930,000 for food and catering expenses against an actual expenditure of Kshs.14,859,000 resulting to an over-expenditure of Kshs.4,756,430 (approximately 48%) done outside the procurement plan. Purchase of goods outside the procurement plan may lead to accumulation of pending bills. This is contrary to Regulation 41 of the Public Procurement and Assets Disposal, Regulations 2020. Further, the approval for the over expenditure was not provided for audit review and this may easily lead to accrued debts not paid.

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

345. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved. Although Management has indicated that the previous issues have been resolved, there was no evidence to prove that these matters have been discussed and determined by the oversight body.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

346. Irregular Approval of University Budget

Review of the University budget revealed that the budget was approved by three (3) Council members contrary to the requirement of Section 36(1) of the Universities Act, 2012 which states that the Council of a Public University or Constituent College of such a University shall consist of nine (9) persons appointed by the Cabinet Secretary. Hence there was no proper governing organ established by the University to approve the budget.

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

347. Non-Compliance with Law on Fiscal Responsibility – Wage Bill

The statement of financial performance reflects an expenditure on employees' cost of Kshs.397,231,000 representing 68% of the total revenue of Kshs.584,185,000. This is contrary to the provisions of Regulation 26(1) of the Public Finance Management (National Government) Regulations, 2015 which states that employees cost shall not exceed 35% of the revenue.

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

348. Understaffing

Review of the staff establishment revealed that the University had two hundred and eight (208) staff in post against an approved staff establishment of three hundred and forty-five (345) employees, resulting to understaffing by one hundred and thirty-seven (137) staff members or 40%.

In the circumstances, understaffing in key departments may result to the University not achieving its goals as outlined in the Strategic Plan.

349. Lack of Substantive Vice Chancellor

Garissa University has been operating without a substantive Vice Chancellor for a period of more than five (5) years despite being granted a Charter on 23 October, 2017 to operate as a full-fledged University. The Cabinet Secretary for Education has been granting the Acting Vice chancellor six (6) months renewable contracts. In addition, the positions for the Vice Chancellor (VC) and Deputy Vice Chancellors (DVCs) were advertised on 30 July, 2019 and interviews conducted on 3 December, 2019. However, the process of recruitment was halted because of Court orders and the case is still active in Court. This is contrary to Section 35(1)(a) (v) of the Universities Act, 2012.

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

350. Non-Compliance with Law on Ethnic Composition

Review of human resource records revealed that the University had two hundred and eight (208) staff members out of whom, one hundred and twenty-five (125) or 60% were from the dominant ethnic community in the County. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 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.

351. Ineffective Payroll Management

Review of the June, 2022 payroll revealed that the University had three (3) employees with different payroll numbers but shared bank account numbers and, nine (9) officers who earned net salaries below one third of their basic pay contrary to Part C.1.3 of the Public Service Human Resource Policies and Procedures Manual, 2016.

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

352. Irregular Acquisition of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.1,457,596,000 which includes asset additions amounting to Kshs.28,373,000 out of which an amount of Kshs.8,921,000 was incurred on refurbishment of buildings. However, Management did not prepare Bill of Quantities contrary to Section 135(6) of the Public Procurement and Asset Disposal Act, 2015 which states that a tender document shall be the basis of all procurement contracts and shall contain at minimum among others the price schedule or bills of quantities submitted by tenderer.

Similarly, there was no certificate of completion for the completed works contrary to Section 154(a) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of procurement function shall issue a certificate to the contractor confirming delivery and acceptance of goods, works and services, where the contract is not complex and specialized.

Further, the University procured building materials and contracted masons and artists for works amounting to Kshs.8,921,000 contrary to Public Procurement and Asset Disposal

Act, 2015 threshold matrix that set the maximum level of procurement under quotations to be Kshs.5million.

In the circumstances, the validity and value for money for the expenditure of Kshs.8,921,000 could not be confirmed as a proper charge to public funds.

353. Irregular Operationalizing of Staff Medical Insurance

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects use of goods and services amount of Kshs.144,951,000 which includes expenditure amount of Kshs.17,396,000 for staff medical insurance paid to the National Health Insurance Fund (NHIF) for a comprehensive staff medical cover. The cover commenced on 17 June, 2021 and was to lapse on 16 June, 2022. However, review of the policy documents provided revealed that the contractual agreement between NHIF and Garissa University was dated 4 October, 2021, casting doubt on whether staff were covered for the four (4) months before signing of the contract.

Further, the contractual agreement covered only one hundred and forty-seven (147) employees in job grades five (5) to eighteen (18), leaving fifty-seven (57) employees to seek medical services from the University's dispensary. This contravened Section 7.1 of the Garissa University Human Resource Policies and Procedures Manual, 2021 that requires all employees irrespective of their job cadres together with their legal dependents to be included in the medical cover.

In the circumstances, the University breached its Human Policy and Procedure Manual, 2021 by discriminating on those who were to be included in the medical cover.

354. Unsettled Trade and Other Payables

The statement of financial position, and as disclosed in Note 20 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.45,065,000, comprising of trade payables balance and unpaid personal claims of Kshs.1,358,000 and Kshs.43,707,000, respectively. It was noted that part time lecturers' claims amounting to Kshs.7,370,000 were settled in the subsequent financial year resulting to outstanding bills of Kshs.37,695,000. The outstanding bills ought to have been settled as first charge in the subsequent financial year as required by Treasury Circular No.10/2020 of 16 June, 2020.

In the circumstances, accumulation of long outstanding pending bills may lead to litigations and interest charges.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

355. Unapproved Fee Payment Mode

Review of student fees statement and tuition fee collection bank statements revealed that the University had collected student fees through mobile money (MPESA) as a convenient revenue collection mode. However, the Management has not revised its Fee Policy, 2018 to approve and incorporate the mobile money mode of fee payment.

In the circumstances, the validity of the mobile money as a mode of receiving revenue could not be confirmed.

ALUPE UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

356. Salaries Paid by Moi University on Behalf of Alupe University

The statement of financial position reflects trade and other payables balance of Kshs.81,297,373 as disclosed in Note 22 to the financial statements. The balance includes Kshs.33,133,718 and Kshs.21,329,058 totalling Kshs.54,462,776 being salaries paid by Moi University on behalf of Alupe University College. The salaries were paid between 2015 and 2017. However, review of records revealed that although Moi University had been demanding the amount from Alupe University College, the amount had not been settled. No explanation was provided for failure to settle the long outstanding debt.

In the circumstances, the completeness, accuracy and fair valuation of the long outstanding balance of Kshs.54,462,776 could not be confirmed.

357. Poor Financial Performance of the University

The University reported a deficit of Kshs.25,911,674 compared to a deficit of Kshs.44,748,951 reported in 2020/2021 financial year. As a result of the losses, the accumulated deficit increased from Kshs.98,348,235 reported in the prior year to Kshs.131,079,909. No satisfactory explanation was provided for the continued loss and whether Management had put in place any strategies to reverse the trend.

In the circumstances, the continued loss-making trend is an indicator that the University is not able to meet its financial obligations as and when they fall due and that its continued existence will depend on the support from the Government and creditors.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

358. Failure to Adhere to the One-third Rule on Salary Deductions

The statement of financial performance reflects Kshs.202,451,819 in respect of employee costs as disclosed in Note 11 to the financial statements. However, analysis of the Integrated Personnel and Payroll Database (IPPD) revealed that between July, 2021 to June, 2022, a total of fifteen (15) members of staff earned net salaries that were less than a third of their basic salaries. This was contrary to the requirements of Section 19(3) of the Employment Act, 2007, which provides that total deductions from salaries of employees shall not exceed two-thirds of their respective basic salaries.

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

359. Staff Ethnic Diversity

Review of staff composition of the College revealed that out of ninety-seven (97) employees, 37 (or 38%) were from the dominant ethnic community in the region. This is contrary to the provisions of Article 232(1)(h) of the Constitution and Section 7(2) of the National Cohesion and Integration Act, 2008 which require that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

360. There were no material issues relating to effectiveness of internal controls, risk management and governance.

FRIENDS UNIVERSITY COLLEGE KAIMOSI

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

361. Inaccuracies in the Financial Statements

361.1 Unsupported Depreciation and Amortization Expenses

The statement of financial performance reflects an amount of Kshs.45,357,000 in respect of a depreciation and amortization expenses, which as disclosed in Note 16 to the financial statements, relates to depreciation and amortization charged on the property, plant and equipment of the College. However, records presented for audit indicated depreciation and amortization expenses amounting to Kshs.52,730,660, resulting to a variance of Kshs.7,373,660, which Management attributed to change in the rate of depreciation. However, no disclosure Note has been made in these financial statements. In addition, no explanation was provided for the change in the depreciation and amortization rates.

In the circumstances, the accuracy of the depreciation and amortization expenses of Kshs.45,357,000 could not be confirmed.

361.2 Irregular Current and Non-Current Provisions

The statement of financial position reflects amounts of Kshs.9,330,000 and Kshs.17,808,000 in respect of current and non-current provisions, which as disclosed in Notes 29 and 32 to the financial statements respectively, relate to unpaid but existing liabilities and some provisions. Management did not disclose why certain incurred costs

were recorded as provisions and how provision for audit fees could be a non-current provision.

In the circumstances, the accuracy and completeness of the balances in respect of current and non-current provisions of Kshs.9,330,000 and Kshs.17,808,000 respectively, could not be confirmed.

361.3 Unsupported Movement on Revenue Reserves

The statement of financial position reflects an amount of Kshs.64,947,000 in respect of revenue reserves. However, this amount includes an adjustment of Kshs.10,649,000 made to the revenue reserves as reflected in the statement of changes in net assets. The adjustments to the revenue reserves related to ordinary transactions of the University which included deferring of school fees, provision for part-time lecturers pay, revision of rates of depreciation and provision for gratuity. However, Management did not give reasons for adjusting normal transactional activities directly to revenue reserves.

In the circumstances, the accuracy of the reported revenue reserves of Kshs.64,947,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

362. Non-Compliance with Fiscal Responsibility Principles

The statement of financial performance reflects expenditure on employees costs of Kshs.376,506,000 and, as disclosed in Note 14 to the financial statements, is approximately 62% of the total revenue of Kshs.612,000,000 which is in excess of the set limit of 35% as per Regulation 26(1) of the Public Finance Management (National Government) Regulations, 2015.

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

363. Non-Compliance with Law on Ethnic Composition

Review of the staff establishment and documents provided revealed that the University had two hundred and nine (209) staff out of whom one hundred and forty-one (141) or 67% were from one dominant community within the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that 'all public establishments shall seek to represent the diversity of the people of Kenya in the 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.

364. Nugatory Expenditure

The statement of financial performance reflects employee costs of Kshs.376,506,137 which, as disclosed in Note 14 to the financial statements, includes employer National Social Security Fund (NSSF) contributions of Kshs.976,720. However, it was noted that

the University incurred penalties amounting to Kshs.103,720 due to late remittance of NSSF deductions.

This was contrary to Regulation 43(d) of the Public Finance Management (National Government) Regulations, 2015 which states that 'an Accounting Officer shall manage, control and ensure that policies are carried out efficiently and wastage of public funds is eliminated'.

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

365. Contingent Liability on Termination of a Contract

Note 24 on property, plant and equipment discloses a balance of Kshs.390,130,927 as total amount capitalized under buildings. Included, in this balance is an amount of Kshs.70,639,793 paid to a contractor. Review of the contract documents and other correspondences provided for audit revealed that, there was a misunderstanding on project execution between the contractor and the University Management. As a result, the University Management terminated the contract in October, 2019 when the contract execution was at 18% of the total contract sum of Kshs.390,130,927 and later awarded the contract to a different contractor.

However, vide a letter dated 8 February, 2022, the contractor whose contract was terminated for purportedly failing to meet the contractual obligations went for arbitration demanding compensation amounting to over Kshs.293,316,096 citing wrongful termination. The matter is yet to be concluded.

In the circumstances, the University risks losing substantial amount of money if the arbitrator rules in favour of the contractor whose contract was terminated.

366. Failure to Hand Over Completed Projects on Time

Note 24 on property, plant and equipment discloses an amount of Kshs.390,130,927 as total amount capitalised during the year under review. Included in this amount are projects for extension of library, renovation of buildings/removal of asbestos, construction of ablution block and renovation of a hall, all costing Kshs.30,483,524 which were completed between 2017 and 2018 and were expected to be capitalised and subjected to depreciation charge but this was not done then.

Failure to subject completed buildings to depreciation is in contravention of Paragraph 71 of International Public Sector Accounting Standard 17, which provides that 'depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management'.

In the circumstances, Management did not adhere to the accounting standards.

367. Inadequate Funding for Construction of a Library Block at Kaimosi Friends University

A contract for construction of a library block at Kaimosi Friends University was awarded to a Company at a contract sum of Kshs.454,697,725. The construction work commenced on 5 January, 2022 and was expected to be completed on 5 January, 2024, a period of

two years. The University Management was therefore expected to put in place measures to secure adequate funding for this project.

However, examination of the documents and physical verification revealed the following:

- (a) At the time of audit in February, 2023, one year had elapsed from the time of commencement of the project and only 14% of the work had been completed as per certificate No.3 prepared in December, 2022. Although, the University Management pegged the completion percentage at 21% in February, 2023, the work progress was extremely slow and may not be completed in the ensuing 11 months as envisaged in the contract.
- (b) During the year under review, the University budgeted for a total of Kshs.188,946,000 only for development projects while the University Management had earlier negotiated a contract of over Kshs.454 million for the construction of the library alone. This implies that the budgetary provision was not consistent with the real development requirements of the University.

In the circumstances, the low development expenditure budget and slow work progress may subsequently result into cost overruns and value for money may not be achieved.

368. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.24,011,000 in respect of receivables from exchange transactions which, as disclosed in Note 20 to the financial statements, includes a balance of Kshs.17,672,374 comprising student debtors and sundry debtors-insurance of Kshs.17,100,633 and Kshs.571,742 respectively which had been outstanding for a period of over one year. Further, some of the debts relate to students who completed their courses several years earlier.

This was contrary to Paragraph 5.2(i) and 5.2.2 of the University Finance Policy which provides that 'all students must clear their outstanding accounts by the fourth week of the semester and other debtors being allowed a thirty (30) days moratorium period before payment of any outstanding amount due on contractual obligations'. A 10% provision has been noted in these financial statements which appears inadequate.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

- 369.** There were no material issues relating to internal controls, risk management and governance.

TOM MBOYA UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

370. There were no material issues noted during the audit of the financial statements of the University.

Emphasis of Matter

371. Inadequate Funding for Construction of Phased Administration and Lecture Halls Blocks

The statement of financial position reflects property, plant and equipment balance of Kshs.1,056,347,691 which, as disclosed in Note 17 to the financial statements includes additions to work in progress totalling Kshs.242,820,869 out of which, Kshs.216,346,290 was incurred in respect of a contract for construction of phased administration and lecture halls blocks. The University College entered into the contract with a local company on 15 June, 2020 at a contract sum of Kshs.968,664,196 which was later varied to Kshs.984,655,005 due to a change in the Value Added Tax (VAT) rate. The contract period was set at 156 weeks with a completion date of 21 September, 2023. A total of Kshs.313,536,986 had been certified and paid as at 30 June, 2022. The percentage completion at the time was 31.8% with 52.6% of the period having elapsed. The University College had requested a total of Kshs.550,000,000 from the National Government in the financial years 2020/2021 and 2021/2022 but only a total of Kshs.145,160,971 had been approved and disbursed. As a result of the above, the University College had continued to strain in funding the project by reallocating funds from its recurrent expenditure. In the circumstances, the completion of the project on time may not be achieved. My opinion is not modified in respect of this matter.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

372. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.207,796,375. However, the following unsatisfactory matters were noted:

372.1 Non-Adherence to Regulations on Acting Appointment

Review of personnel records revealed that the position of Finance Officer and Head of Finance Department had been held by an officer on an acting capacity for more than four (4) years with effect from 1 January, 2018. This was contrary to Paragraph 3.4.4 (b) of the Human Resource Policy and Procedures Manual for Tom Mboya University College, which provides that the acting appointments period shall not exceed six (6) consecutive months.

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

372.2 Engagement of Casuals Beyond Allowed Limit

Review of the University College's records relating to casuals for the month of June, 2022 revealed that sixty-one (61) casuals were engaged at various times during the year under review. However, thirty-seven (37) of the casuals were engaged continuously for twelve months contrary to Clause 3.4.6(b) of the Human Resource Policy and Procedures Manual for Tom Mboya University College, which stipulates that casual employees shall be engaged for a continuous period of not more than three (3) months and shall be paid by the end of each working day or any other agreed period not exceeding one (1) month.

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

372.3 Non-Compliance with Law on Ethnic Composition

Analysis of the personnel records for the month of June, 2022 revealed that the University College had a workforce of ninety (90) employees out of whom, fifty-nine (59) were from the same ethnic community. This represents 65.6% of the total workforce, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall represent the diversity of the people of Kenya in the employment of staff, and that, no public establishment shall have more than one third (33%) of its staff from the same ethnic community.

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

373. Excessive Council and Committee Meetings

During the year under review, the University College Council held ten (10) Council meetings, while the Finance, Planning and Investment Committee held seven (7) meetings, contrary to Paragraph A2 of the Circular Ref. No OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020 which stipulates that Board meetings shall be restricted to a minimum of four and capped at a maximum of six for each financial year, and in addition, the same principle shall apply to respective Committees of the Boards.

Further, the University College's Council had nine (9) members in accordance with the University Act, 2012. The Council had established four committees namely: Finance Planning and Investment Committee, Academic and Research Committee, Executive and Human Resource Committee and Audit and Risk Management Committee. However, review of the membership of the committees revealed that the Finance Planning and Investment Committee, Executive and Human Resource Committee, and Academic and Research Committee had five (5), four (4) and four (4) members (excluding the Principal) respectively. Further, two (2) Council Members served in three (3) committees.

The foregoing was contrary to Paragraph B4. of Circular Ref. No OP/CAB.9/1A from the Head of Public Service dated 11 March, 2020, which stipulates that the number of members to any committee should not be more than one third of the full Board and members can only sit in a maximum of two committees.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

374. Understaffing of Internal Audit Department

Review of the University College's governance structure revealed that the Internal Audit Department was manned by one (1) officer, contrary to the University College's staff establishment, which requires the Internal Audit Department to have five (5) officers, headed by a Chief Internal Auditor.

In the circumstances, the effectiveness of the University College's internal controls, risk management and overall governance could not be confirmed.

375. Enterprise Resource Planning (ERP) System User Accounts

The Enterprise Resource Planning (ERP) System used by the University College did not allow the system administrator to grant granular access to users. A user is granted access right to an ERP module after which that particular user is able to execute all the functions within that module. An example is the Finance Module under which there are other functions such as receipting cash, making payments, creating customers, deleting customers, giving discounts on fees. Any user with access right to the finance module is able to perform all the functions under it.

As a result, the effectiveness and integrity of the University's Information Technology controls could not be confirmed.

TURKANA UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

376. There were no material issues noted during the audit of the financial statements of the University.

Emphasis of Matter

377. Uncertainty on Sustainability of Services

During the year under review, the University recorded a deficit amount of Kshs.93,550,233 (2021: deficit Kshs.92,678,985) which increased the accumulated deficit from Kshs.335,606,734 in 2020/2021 to Kshs.431,369,575 as at 30 June, 2022. Management had not disclosed the measures it had taken or intended to take to reverse the trend. The continued deficit may result to the University's inability to continue to sustain its services

My opinion is not modified in respect of this matter.

Other Matter

378. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.452,846,811 and actual on comparable basis of Kshs.436,108,423 resulting to an underfunding of Kshs.16,738,388 or 4% of the budget. Similarly, the College spent Kshs.379,154,117 against an approved budget of Kshs.452,846,811 resulting to an under-expenditure of Kshs.73,692,694 or 16% of the budget.

In the circumstances, the planned programs and activities of the University College may not have been implemented and services provided/received as envisaged.

379. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues nor given any explanation for the failure to implement the recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

380. Graduates with Outstanding Balances

The statement of financial position and as disclosed in Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.32,333,133 out of which an amount of Kshs.26,109,158 related to students' fees debtors. The balance includes an amount of Kshs.146,000 for students who had already graduated and whose recoverability is doubtful.

In the circumstances, the recoverability of receivable from exchange transactions balance of Kshs.146,000 is doubtful.

381. Non-Implementation of E-Procurement System

During the year under review, Management had not migrated their procurements to the e-procurement. This was contrary to Executive Order No.6 of 2015 - Part (iv) that required all State Corporations to immediately migrate their procurement system to the e-procurement platform developed by The National Treasury.

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

382. Non-Compliance with Law on Ethnic Composition

Review of the staff establishment revealed that the University College had ninety-two (92) employees, out of whom thirty-two (32) or 35% were from one dominant community. This was contrary to Section 7 of the National Cohesion and Integration Act, 2008 which states that 'all public establishment shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community'.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

383. Unaccounted for Invoices

The statement of financial performance reflects revenue from exchange transactions amount of Kshs.72,028,611. However, analysis of the Enterprise Resource Planning (ERP) ledger revealed eleven thousand, seven hundred and seventy-five (11,775) invoice numbers of undetermined value were missing from the series and no record or reconciliation was provided to account for the invoices.

In the circumstances, the effectiveness of internal controls on Enterprise Resource Planning (ERP) ledger could not be confirmed.

BOMET UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

384. Inaccuracies in the Presentation of the Financial Statements

Review of the annual report and financial statements prepared and presented for audit for the year revealed the following anomalies:

- i) The statement of financial position reflects receivables from exchange transactions balance of Kshs.10,076,671 net of provision of doubtful debts of Kshs.1,119,630 or 11% as disclosed in Note 16 to the financial statements. However, the policy on provision of doubtful debts had not been disclosed in the financial statements. Further, the aging analysis of the receivables was not provided for audit review.
- ii) Further, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.2,081,850 relating to long outstanding imprests. However, the Management has not instituted measures to recover the long outstanding imprests from the salaries of the affected officers.
- iii) In addition, the statement of financial position reflects provisions balance of Kshs.41,547,398 as disclosed in Note 21 to the financial statements. The balance includes general provisions amounting to Kshs.21,883,267 relating to commitments for goods and services that had not been supplied as at end of the year and unsupported provision for doubtful debts of Kshs.1,119,630 which had been netted off from receivables from exchange transactions balance.
- iv) The aging analysis for trade and other payables from exchange transactions and non-current liabilities balance of Kshs.85,403,027 and Kshs.74,364,569, respectively were not provided for audit review.
- v) The statement of cash flows reflects an increase in payables totalling to Kshs.132,621 which varies with the recomputed amount of Kshs.45,833,991 resulting to an unexplained variance of Kshs.45,701,370.

- vi) Similarly, the statement of cash flows reflects purchase of property, plant and equipment cost of Kshs.30,432,604 which varies with the additions, totalling to Kshs.25,932,604 reflected in Note 23 to the financial statements, resulting to an unexplained variance of Kshs.4,500,000.

In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

385. Variances Between Financial Statements and General Ledger

Comparison between the financial statements and the general ledger balances revealed the following variances:

Component	Financial Statement Amount (Kshs.)	General Ledger Amount (Kshs.)	Variance (Kshs.)
Revenue from Exchange	69,122,690	70,796,690	1,674,000
Depreciation & Amortization	12,646,654	2,054,744	10,591,910
Cash and Cash Equivalents	265,329,020	275,352,383	10,023,363
Inventories	2,146,248	-	2,146,248

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

386. Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.1,857,299,125 as disclosed in Note 23 to the financial statements. The balance includes the cost of four (4) parcels of land owned by the College valued at Kshs.930,800,000 whose ownership documents were not provided for audit verification.

In the circumstances, the ownership and existence of land balance of Kshs.930,800,000 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

387. Budget Over-Collection and Over-Expenditure

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.363,623,701 against an actual performance of Kshs.381,372,106, leading to an over-collection of revenue by Kshs.17,748,405.

Similarly, the statement reflects a final expenditure budget of Kshs.363,623,701 against an actual expenditure budget of Kshs.373,014,470, thereby leading to an unauthorized over-expenditure of Kshs.8,390,769.

In the circumstances, the over-collection and over-expenditure is an indication of funds not applied for the intended purpose.

388. Irregularities in Casual Wages

The statement of financial performance reflects employee costs amount of Kshs.298,712,919 which includes casual wages expenditure of Kshs.968,765 for seven (7) casual workers as disclosed in Note 10 to the financial statements. However, the casual workers have been engaged for over twelve (12) months. This is contrary to Section 2.3.4 of the Bomet University College Human Resource Policy Manual, 2018 which restricts casual employment to a maximum of three (3) months.

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

389. Failure to Constitute University Council

Review of records revealed that the term of the first Council expired on 29 September, 2020 and subsequent Council Members appointed on 8 July, 2022. Effectively, the College did not have a Council in place in the year under review. Further, the expenditure incurred in the year was therefore not approved. This is contrary to Order 21 of the Bomet University College Order, 2017 which requires the Council to prepare and approve of revenue and expenditure for the financial year. No expenditure shall be incurred for purpose of the College without approval of the Council.

In the circumstances, Management was in breach of the Bomet University College Order, 2017.

390. Irregular Acting Allowance

The statement of financial performance reflects employee costs amounting to Kshs.298,712,919 which includes acting allowance expenditure of Kshs.2,139,033 as disclosed in Note 10 to the financial statements. The expenditure relates to twenty-three (23) officers on acting appointments for a period of one-year contrary to Section C.14(1) of the Public Service Human Resource Policies and Procedures Manual, 2016 which states that the payment of acting allowance will not be payable to an officer for more than six (6) months. Management has not provided explanation of retaining and paying acting allowances to officers for over six (6) months.

In the circumstances, Management was in breach of the Public Service Human Resource Policies and Procedures Manual, 2016.

391. Non-Compliance with Law on Ethnic Composition

Review of the staff data shows that the College had one hundred and forty-eight (148) employees out of which sixty-six (66) or 45% belong to the dominant ethnic community. Further, twenty-eight (28) employees were recruited in the year under review out of which seven (7) employees belonged to the dominant ethnic community. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. No public establishment shall have more than one third of its staff from the same ethnic community.

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

392. Non-Implementation of E-Procurement

The statement of financial performance reflects contracted services amount of Kshs.22,300,102 as disclosed in Note 14 to the financial statements. However, the procurement was not undertaken through the e-procurement system. This is contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the conduct of e-procurement procedures for the supply of goods, works and services shall be conducted by a procuring entity using an e-procurement system which is integrated to the State Portal.

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

393. Stalled and Incomplete Projects

The statement of financial position reflects property, plant and equipment balance of Kshs.1,857,299,125 as disclosed in Note 23 to the financial statements which includes capital work-in progress amounting to Kshs.827,495,069 for two stalled projects whose contract sum was Kshs.1,408,527,400. This includes, construction of library blocks and supply and installation of ERP at a cost of Kshs.1,391,982,469 and Kshs.16,544,932 respectively.

However, liquidated damages for delayed performance have not been claimed from the contractor in compliance with Section 140(b) of the Public Procurement and Asset Disposal Act, 2015 which states that the contractor shall be liable to liquidated damages for delayed performance. The likelihood of completing the projects in the near future could not be confirmed.

In the circumstances, value for money for the capital works-in-progress balance of Kshs.827,495,069 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

394. There were no material issues relating to effectiveness of internal controls, risk management and governance.

THARAKA UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

395. Inaccuracy in the Statement of Financial Position

The statement of financial position reflects property, plant and equipment comparative balance of Kshs.385,664,840 while the corresponding Note 25 to the financial statements discloses property, plant and equipment comparative balance of Kshs.397,797,553 resulting to an unexplained variance of Kshs.12,132,713.

In the circumstances, the accuracy of the property, plant and equipment comparative balance of Kshs.385,664,840 could not be confirmed.

396. Inaccuracies in Tuition and Related Income

The statement of financial performance reflects tuition and related income of Kshs.121,967,792 as disclosed in Note 7 to the financial statements. However, the tuition and related income records provided for audit reflected a total of Kshs.135,109,895 resulting to an unexplained variance of Kshs.13,142,103.

In addition, Note 7 to the financial statements discloses income from self-sponsored undergraduate students fees of Kshs.10,278,845 while supporting documents and schedules reflect an amount of Kshs.5,827,000 resulting to an unexplained variance of Kshs.4,451,845. Further, the ERP for self-sponsored undergraduate student's fees report did not indicate the year and semester of study and total amounts invoiced.

Further, Note 7 to the financial statements discloses an amount of Kshs.82,833,947 relating to revenue from exchange transactions from Government sponsored students while supporting documents reflected an amount of Kshs.75,222,527 resulting to an unexplained variance of Kshs.7,611,420.

In the circumstances, the accuracy and completeness of tuition fees and related income balance of Kshs.121,967,792 could not be confirmed.

Other Matter

397. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.776,195,997 and Kshs.779,952,906 respectively resulting to an overfunding of Kshs.3,756,909. Similarly, the College expended Kshs.696,402,708 against an approved budget of Kshs.776,195,997 resulting to an under-expenditure of Kshs.79,793,289 or 10% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

398. Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised. However, Management has not resolved and disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board templates. Management has not provided satisfactory explanation for the delay in resolving the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

399. Irregularities in Invoicing Students

The statement of financial performance reflects tuition and related income of Kshs.121,967,792 as disclosed in Note 7 to the financial statements. However, review of sampled students' statements provided for audit revealed delays in billing/invoicing of

students resulting in multiple billings of four, three or two semesters being done on the same day and invoicing was not done in a chronological way with some students being invoiced for latter semesters before being invoiced for preceding semesters. This is contrary to Section 2.1.4(c) of Tharaka University College Financial Management Manual, 2019 which states that student accounts will be charged with tuition fees and any other relevant charges before the beginning of the semester.

Further, tuition fees revenue was recognized based on revenue collected and banked instead of number of students registered and invoiced per semesters and academic program during the 2021/2022 financial year. This was contrary to Paragraph 21 of International Public Sector Accounting Standard (IPSAS) No.9 which provides that revenue is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity

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

400. Delays in Collection of Receivables

The statement of financial position reflects student fees receivable from exchange transaction of Kshs.11,583,038 as disclosed in Note 22 to the financial statements. However, review of student's statements revealed that several students were allowed to progress for up to 3 semesters and sit for exams before making any payment or clearing fee arrears. This was contrary to Section 2.1.4(j) of the Tharaka University College Financial Management Manual, 2019 which requires that no student with fee balances will be allowed to sit for exams unless approved by relevant authority and follow up done to recover all the outstanding fee balance.

Further, it was noted that two students had studied without paying fees for two (2) and four (4) semesters respectively. This is contrary to Section 64(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for all National Government revenue and other public money and that adequate measures, including legal action where appropriate, are taken to obtain payments.

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

401. Lapsed Tenure of Office for the Council Members

The term of office for five (5) council members appointed effective on 6 September, 2018 to serve for a period of 3 years lapsed from 6 September, 2021. However, the five (5) council members served for the entire financial year 2021/2022 with expired appointment letters. This is contrary to Gazette Notice No.9720 of the Universities Act (No.42 of 2012) of 21 September, 2018 which appointed Council members for a period of three (3) years, with effect from the 6 September, 2018 and Section 11(4) of Legal Notice No. 146 of the Tharaka University College Order, 2017 which states that a member of the Council other than ex officio member shall hold office for a term of three years but shall be eligible for re-appointment for a further one term.

Further, failure to appoint new council members affected Council operations with only three (3) meetings held during the year under review against the minimum required 4 quarterly meetings. Council evaluations were also not done.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

402. Failure to Appoint Council Member with Financial Expertise

Review of the Council members qualifications revealed that the University Council did not have a member with financial expertise who is registered with any professional body. This is contrary to Paragraph of 1.1 Sub-Section 6 of Chapter 1 of Mwongozo Code of Governance, 2015 which states that at least one Board member should be a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is a bona-fide member of a professional body regulating the Accountancy profession, and in compliance with the requirements thereof.

In the circumstances, the effectiveness of the College's governance could not be confirmed.

KOITALEEL SAMOEI UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

403. Presentation of the Financial Statements

Review of the financial statements revealed the following anomalies in the presentation of the financial statements:

- i. Report No.9 on page xxxiv is entitled 'Report of the Chief Executive Officer' instead of 'Report of the Principal'. In addition, report No.10 on page xxxv has been signed by the Principal but erroneously entitled 'Statement of Chief Executive Officer'.
- ii. Variances in financial statements and prior year comparative amounts as shown below.

Item	Financial Statements (Kshs.)	Audited Financial Statements (Kshs.)	Variance (Kshs.)
Statement of Financial Performance			
Capitation Grant - Recurrent	102,651,888	102,651,892	4
Total Revenue from Non-Exchange Transactions	162,651,888	162,651,892	4

Total Revenue	176,548,899	175,921,223	627,676
Contracted Services	5,751,780	5,751,760	20
Depreciation	14,484,116	12,826,120	1,657,996
Deficit	978,491	548,151	430,340
Statement of Financial Position			
Property, Plant and Equipment	262,642,829	461,296,298	198,653,469
Work-In-Progress	198,653,469	-	198,653,469
Capital Reserves	449,141,098	489,954,196	40,813,098

- iii. The statement of financial performance reflects depreciation balance of Kshs.11,813,228. However, the schedule of movement of Property, Plant and Equipment in Note 20 to the financial statements, does not disclose the opening balance for depreciation. In addition, depreciation rates applied under each class of assets was not disclosed.
- iv. The statement of comparison of budget and actual amounts reflects totals for revenues, however, totals for expenditures were not indicated.
- v. The statement of changes in net assets was not reflected in the table of contents.
- vi. Related party transactions and financial risks have not been disclosed in notes to the financial statements.

In the circumstances, the financial statements are not presented in accordance with the International Public Sector Accounting Standards (IPSAS Accrual).

404. Inaccuracies in the Financial Statements

404.1 Unsupported Funds from the University of Nairobi

The statement of financial performance reflects revenue from non-exchange transactions balance of Kshs.150,966,853. However, the balance includes Kshs.45,000,000 in respect of transfers from the University of Nairobi which has not been supported by cash receipts, cash book and bank statement extracts.

In the circumstances, the accuracy and fair statement of transfers from the University of Nairobi of Kshs.45,000,000 for the year ended 30 June, 2022 could not be confirmed.

404.2 Property, Plant and Equipment

404.2.1 Accuracy of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.252,737,509 which differs with the balance of Kshs.289,067,939 disclosed in Note 20 to the financial statements resulting to unexplained variance of Kshs.36,330,430. The balance also includes land and buildings of Kshs.226,680,986 whose detailed schedule were not provided for audit. Further, depreciation method was not disclosed in the financial statements.

404.2.2 Variance of Reported Additional Furniture and Equipment

The statement of financial position reflects property, plant and equipment of Kshs.252,737,509 out of which furniture and equipment additions of Kshs.38,238,338

differed with the statement of cash flows balance of Kshs.1,907,908 resulting to unreconciled variance of Kshs.36,330,430.

404.2.3 Unsupported Work-In-Progress

The statement of financial position reflects work-in-progress balance of Kshs.259,367,351. However, this balance was not reflected in the grand totals in the property, plant and equipment schedule in Note 20 to the financial statements. Further, this balance includes work-in-progress for the period under review of Kshs.90,633,833 whose contracts, certificates of work certified and payment vouchers were not provided for audit.

In the circumstances, the accuracy, completeness and fair statement of property, plant and equipment/work-in-progress balance of Kshs.512,104,860 as at 30 June, 2022 could not be confirmed.

404.3 Inaccuracies in the Reserves Balances

The statement of financial position reflects total capital and revenue reserves of Kshs.527,155,250 which differed with the statement of changes in the net assets balance of Kshs.204,834,873 resulting to unexplained variance of Kshs.322,320,377. Further, the statement of changes in net assets is erroneously indicated as Note 1 instead of Note 14.

In the circumstances, the accuracy and fair statement of total capital and revenue reserves balance of Kshs.527,155,520 as at 30 June, 2022 could not be confirmed.

404.4 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents opening balance of Kshs.14,484,116 which differed with the recasted balance of Kshs.146,720,657 resulting to an unexplained variance of Kshs.132,236,541. The statement also reflects a closing cash and cash equivalents balance of Kshs.14,214,244 which differed with the recasted balances of Kshs.2,541,745 resulting to unreconciled variance of Kshs.11,672,499. The statement was also prepared using the direct method whereas the previous year statement was prepared using indirect method and therefore comparative amounts could not be confirmed.

In the circumstances, the accuracy, completeness and fair statement of the statement of cash flows balances as at 30 June, 2022 could not be confirmed.

404.5 Lack of a Trial Balance

The revised trial balance was not presented for review.

In the circumstances, the accuracy of the financial statements for the year ended 30 June, 2022 could not be confirmed.

Other Matter

405. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.151,050,674 and Kshs.183,853,136

respectively resulting to an overcollection of Kshs.32,802,462 or 21.7% of the budget. Similarly, the University expended Kshs.193,887,600 against an approved budget of Kshs.151,050,674 resulting to an over-expenditure of Kshs.42,836,926 or 28% of the budget.

The lawfulness of over-expenditure of Kshs.42,836,926 could not be confirmed.

406. Unresolved Prior Year Audit Matters

There were issues raised in the audit report of 2020/2021 financial year of which no response or recommendations from the University College and oversight bodies were submitted for audit verification and clearance. The issues remained unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, 2012 which require Accounting Officers to try to resolve any issues resulting from an audit that remain outstanding.

The Management have not complied with the requirement of the Public Sector Accounting Standards Boards financial statement reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

407. Late Submission of Financial Statements

The Management of the University College did not prepare and submit financial statements for audit within the statutory deadline of 30 September, 2022. However, the financial statements were submitted on 12 January, 2023, three and a half months after the deadline which is contrary to Sections 81(1) and 4(a) of Public Finance Management Act, 2012 which states that not later than three months after the end of each financial year, the Accounting Officer for the entity shall submit the entity's financial statements to the Auditor-General and a copy of the statement to the Controller of Budget, The National Treasury and the Commission on Revenue Allocation.

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

408. Salaries and Wages

408.1 Irregular Award of Contracts to Staff

The statement of financial performance reflects salaries and wages balance of Kshs.157,175,210. However, examination of human resource records revealed that one member of staff, P/No.23077, who was scheduled to retire on 31 December, 2021 was given an extension of up to 31 July, 2022 (7 Months extension) and this was beyond the mandatory retirement age of sixty (60) years. This was contrary to Section 80(1) of the Public Service Commission Act, 2017 which states that where a Public Officer has attained the mandatory retirement age as may be prescribed in regulations, the Public Officer should retire from the service with effect from the date of attaining the mandatory retirement age.

Although the Management explained the circumstances under which the Officer was retained in the employment, no evidence of approval from Public Service Commission was availed for review.

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

408.2 Irregular Hire of Staff

Review of Human Resource records revealed that the University had a staff of ninety-two (92). During the year, six (6) officers were recruited through internal job advertisements. However, although the two applicants were recruited to the position of Chief ICT Officer and Accountant, they did not meet the minimum requirements of master's degree and Certified Public Accountant (CPA-K) respectively for the stated positions as per the advertisement. As a result, the Management was in breach of the Paragraph 4.1 of the Human Resource Policy guidelines. No valid explanation was provided by Management for this anomaly. Further it was observed that the University had no approved staff establishment in place.

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

408.3 Irregular Acting Allowances

The statement of financial performance reflects salaries and wages balance of Kshs.157,175,210 as disclosed in Note 6 to the financial statements. Included in this balance was Kshs.796,814.90 paid to various employees in respect of acting allowances. However, the Officers were appointed to act in higher positions without following proper procedures which include advertisement of the vacant posts and interviews as documented in Human Resource manual. Further, one member of staff was found to have acted for more than 6 six months contrary to Section C.14(1) of Human Resource Policies and Procedures Manual for the Public Service issued in May, 2016 which requires that acting allowance will not be payable to an officer for more than six (6) months.

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

408.4 Failure to Comply with the Provisions on Inclusivity in Ethnic Diversity

Review of human resource documents indicated that the Management recruited six (6) employees to various vacant positions. However, all the six (6) positions were filled by officers from the dominant community which is contrary to Sections 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires 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 establishment from the same ethnic community.

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

409. Council Expenses

409.1 Unapproved Council Retreat

The statement of financial performance reflects Council expenses amount of Kshs.5,878,191 as disclosed in Note 13 to the financial statements. Examination of

expenditure records relating to Council expenses revealed payments totalling to Kshs.1,473,050 incurred towards facilitation of a Council retreat. However, there was no approval from the Cabinet Secretary for the Council to hold a retreat outside its registered office. This is contrary to Section A(4) of Circular OP/CAB.9/1A, 11 March, 2020 which states that all Board business (including Committee meetings) shall be transacted at the principal or registered office of the Corporation (not branch offices) and Board retreats shall be approved by the respective Cabinet Secretary. In addition, the attendance register, program, back to office report and evidence of travel such as air tickets or work tickets were not provided for audit review.

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

409.2 Council Member's Tenure

The Council members who served during the year were appointed on 12 October, 2018 through individual appointment letters and Gazette Notice No.10740 dated 12 October, 2018 for a term of three years which came to an end on 12 October, 2021. However, the Institution did not have substantive Council members for eight months with effect from November, 2021 to June, 2022 which created leadership challenges as the new Council members were appointed on 08 July, 2022 through Gazette Notices No.8050 and 8051. This was contrary to Section 16(5) of the University (Amendment) Act, 2016 which states that the members of the Council appointed under Section 36(1) shall at their first meeting after appointment determine by lot which two of their members shall vacate office after a period of three and four years respectively to ensure continuity in the activities of the Council.

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

410. Unremitted Tax Deductions

The statement of financial position reflects trade and other payables balance of Kshs.17,091,639 which include statutory deductions balance of Kshs.5,482,029 as disclosed in Note 18 to the financial statements. Review of documents provided reveal that the deductions totalling Kshs.5,482,029, had not been remitted to the Commissioner of Domestic Tax in accordance with Income Tax Act.

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

411. Proposed Construction of Administration Block in Nandi Hills

Review of records provided revealed that Management entered into a contract for the construction of the proposed administration block with a firm at a contract sum of Kshs.628,504,063 on 22 April, 2020 with the completion period being 30 months upon possession of site. However, the following anomalies were noted;

411.1 Non-Deduction of Retention Money and Lack of Retention Ledger

Clause 26 of conditions of the contract required the employer (Koitaleel Samoei University) to retain 10% from each payment due to the contractor. However, Management did not deduct retention amount of Kshs.32,961,271.07 for the certified work

done for certificates 1, 2, 3 and 4. In addition, Management failed to maintain retention ledger and the amount for retention was not disclosed in the financial statements.

411.2 Unsupported Payments Made to the Contractor

The contractor was paid up to certificate Number 4 out of which certificates 3 and 4 were issued during the year under review. However, the payment vouchers were not supported with the valuation report duly counter signed by the Architect, Quantity Surveyor, Structural Engineer, Mechanical Engineer and Electrical Engineer.

411.3 Non-Deduction and Remittance of Taxes

Examination of the payment vouchers for the certified work done under certificates Number 1, 2, and 3 for Kshs.28,272,000, Kshs.49,020,000 and Kshs.36,759,524 respectively revealed that the Management failed to deduct and remit withholding VAT of Kshs.1,839,862 and professional fees of Kshs.2,759,793 contrary to the requirement of the Income Tax Act. In addition, the Management did not recover the tax amounts in the subsequent payments to the contractor.

411.4 Expired Performance Bank Guarantee

The contractor had provided performance bank guarantee of Kshs.62,850,407 from Credit Bank which expired on 21 April, 2022 and had not been renewed. In the circumstances, there is risk of loss to the University in the event the contractor fails to complete the project.

411.5 Delay in Completion of the Administration Block in Nandi Hills

The contract for construction for the proposed administration block was entered into on 22 April, 2020 between the University and a local contractor. According to the contract documents, the construction was supposed to take thirty (30) months upon taking possession of the site for which the date of possession of site has not been disclosed in the contract form. Information from Management revealed that the contract was supposed to have been completed by 27 November, 2022. However, the contract had delayed and as at the time of audit in January, 2023, the construction had not been completed and there was no approved extension as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. Further, physical inspection of the projects in January, 2023 revealed that the contractor was not on site. Although the Management explained that the delay was due to lack of financing by the Government, continued delay in the completion of the works is likely to result in cost escalation. The level of completion for the project was estimated at 22%.

411.6 Payment to the Consultants

During the year under review Management paid a total of Kshs.4,616,256 to the consultants who are employees of the University of Nairobi. The tender document under Particular preliminaries describe Architect, Quantity Surveyor, Electrical Engineer, Mechanical Engineer and Structural Engineer to mean University of Nairobi. However, it is not clear how the consultants were sourced as no procurement records were submitted

for review. The validity of the payment of Kshs.4,616,256 to the consultants could not be confirmed.

In the circumstances, Management was in breach of the law for non-remittance of the tax and continued delay in the implementation of the project risks cost escalation.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

412. Lack of a Risk Management Policy

As previously reported, the College did not have a risk management policy in place. This was contrary to Regulation 165(1) 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.

In the circumstances, Management is unlikely to respond effectively to the emerging risks that may subsequently result in weak internal controls and loss of public funds.

413. ICT Policy, Procedures and Controls Environment

As previously reported, the Institution's ICT infrastructure has several application software that are in use. However, administrator passwords for the SMIS and SAGE systems are held solely by the University of Nairobi (UoN) personnel and the servers hosted and operated from the UoN main campus, with the KSUC staff only having user accounts. Since these two systems handle KSUC's finances, there is a risk of data manipulation and subsequent loss of funds. Further, it was observed that there was no offsite data backup for the payroll system database which could result in a major downtime if the payroll machine were to have a hardware/software failure.

In the circumstances, the University risks losing data in the event of system failure and loss of data integrity since the full administrator rights are held by an external party.

414. Lack of Quarterly Submitted Reports

The institution has established a Finance Standing Committee which is responsible for preparation and submission of quarterly reports to the Cabinet Secretary. However, there was no evidence that the institution's Finance Standing Committee submitted quarterly reports of its work including recommendations to the responsible Cabinet Secretary, as required under Regulation 19(2) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, Management was in breach of oversight internal controls.

MAMA NGINA UNIVERSITY COLLEGE

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

415. There were no material issues noted during the audit of the financial statements of the University.

Emphasis of Matter

416. Mama Ngina University College (MNUC) was established through a Gazette Notice No.193 by the Ministry of Education on 17 September, 2021 as a constituent college of Kenyatta University. The first MNUC Council was appointed on 03 December, 2021 through Gazette Notice No.13129. In the first half of the financial year, financial management of MNUC was undertaken by Kenyatta University.

My opinion is not modified in respect of this matter.

Other Matter

417. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.148,356,768 and Kshs.61,183,239, respectively resulting to underfunding amounting to Kshs.87,173,529 or 59% of the budget. Similarly, the College had final expenditure budget and actual amounts on comparable basis of Kshs.148,356,768 and 21,446,763 resulting to under-utilization of Kshs.126,910,005 or 86% of budget.

The underfunding and under-utilization of funds may have affected the planned activities and impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

418. Failure to Appoint Board of Survey on Cash

The statement of financial position and as disclosed in Note 16 to the financial statements reflects cash and bank balance of Kshs.95,663,982. However, Management did not appoint board of survey as required by law. In addition, standing imprest amount of Kshs.800,000 was established for cash office operations without keeping a memorandum cash book to record receipts and payments contrary to Regulation 93(14) of the Public Finance Management (National Government) Regulations, 2015 which requires a holder of a standing imprest to keep a memorandum cash book to record all receipts and payments.

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

419. Irregular Procurement of Audio-Visual Equipment

Review of procurement records revealed that Management procured an audio-visual equipment at a contract price of Kshs.8,943,905, out of which an amount of Kshs.6,835,150 had been paid to the contractor for the supply, delivery, installation, testing and commissioning of audio-visual installation works for the proposed lecture theatre.

However, several unsatisfactory issues were observed as indicated below;

- i. There was no budget for this procurement of the goods, works and services.
- ii. The individual bid documents as submitted by the tenderers were not provided for audit.
- iii. The successful bidder did not meet all the technical specifications of the tender and negotiations were indicated to have been made between the Management and the firm to match the specifications of the equipment which did not meet the specifications given.
- iv. Failure to award the tender to lowest evaluated bidder resulted to loss amounting to Kshs.966,929.
- v. The estimate from market survey and engineer's estimate of the equipment needed, works to be done and indicative prices that could be used to gauge the estimated price of the works, was not provided for audit verification.
- vi. An undated copy of the signed contract indicated that the contract was to be executed within a time frame of ten (10) days from 01 October, 2021 to 14 October, 2021 but as at the end of the financial year, about 256 days after completion date, the works were not completed leading to breach of contract.
- vii. No retention money was deducted for the purpose of defects liability period.
- viii. Physical verification at the time of audit revealed that system was not in use and therefore there was no value for money realized from the purchase.

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

420. Failure to Maintain a Fixed Assets Register

The statement of financial position and as disclosed in Note 24 to the financial statements reflect a balance of Kshs.8,575,611.00 in respect of property, plant and equipment whose fixed assets register was not provided for audit. Physical verification of assets revealed that the College has internet facilities, furniture, furnished lecture theatre, office block sitting on a parcel of land, not disclosed in the financial statements. In addition, the College's property, plant and equipment were not tagged and therefore could not be identified to the College contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft,

security threats, losses, wastage and misuse; ensuring that movement and conditions of assets can be tracked; and that stock levels are at an optimum and economical level.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

421. There were no material issues relating to effectiveness of internal controls, risk management and governance.

Appendix A: Unmodified Opinion

No. Name of the University

1. Kirinyaga University
2. Machakos University
3. Mama Ngina University College
4. Tom Mboya University College
5. Turkana University College
6. University of Embu

Appendix B: Qualified Opinion

- | No. | Name of the University |
|------------|---|
| 1. | Alupe University College |
| 2. | Bomet University College |
| 3. | Chuka University |
| 4. | Dedan Kimathi University of Technology |
| 5. | Egerton University |
| 6. | Friends University College Kaimosi |
| 7. | Garissa University |
| 8. | Jaramogi Oginga Odinga University of Science and Technology |
| 9. | Jomo Kenyatta University of Agriculture and Technology |
| 10. | Karatina University |
| 11. | Kenyatta University |
| 12. | Kibabii University |
| 13. | Kisii University |
| 14. | Laikipia University |
| 15. | Maseno University |
| 16. | Masinde Muliro University of Science and Technology |
| 17. | Meru University of Science and Technology |
| 18. | Multimedia University of Kenya |
| 19. | Murang'a University of Technology |
| 20. | Pwani University |
| 21. | Rongo University |

Appendix B: Qualified Opinion

- | No. | Name of the University |
|------------|--------------------------------------|
| 22. | South Eastern Kenya University |
| 23. | Taita Taveta University |
| 24. | Technical University of Mombasa |
| 25. | Tharaka University College |
| 26. | The Co-operative University of Kenya |
| 27. | University of Eldoret |
| 28. | University of Kabianga |
| 29. | University of Nairobi |

Appendix C: Adverse Opinion

No. Name of the University

1. Koitaleel Samoei University College
2. Maasai Mara University
3. Moi University
4. The Technical University of Kenya