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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT- FIFTH SESSION


THE NATIONAL ASSEMBLY

THE TWELFTH REPORT OF THE  
PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

\*\*\*

ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF STATE CORPORATIONS (NATIONAL POLYTECHNICS)  
FOR THE FINANCIAL YEARS 2021/2022, 2022/2023, 2023/2024, 2024/2025.

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 02 APR 2026	DAY: Thursday
TABLED BY:	Chairperson Hon. Wangari Maathai CS
CLERK AT THE TABLE:	Halima Ahmed

APRIL, 2026



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## **LIST OF ABBREVIATIONS/ACRONYMS**

ERP	-	Enterprise Resource Planning
FY	-	Financial Year
HELB	-	Higher Education Loans Board
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
MOE	-	Ministry of Education
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, No. 18 of 2012
PPAD	-	Public Procurement and Asset Disposal Act, No. 33 of 2015
PSASB	-	Public Sector Accounting Standards Board

## **CHAIRPERSON'S FOREWORD**

The Public Investments Committee on Governance and Education is one of the six Watchdog Committees of the National Assembly established under Standing Order 206. The Committee is mandated to examine the reports of the Auditor-General on public investments to ensure accountability, transparency, and prudent use of public resources, in line with Article 229(8) of the Constitution of Kenya, 2010.

In executing its mandate, the Committee examined the reports of the Auditor-General on the Audited Financial statements of National Polytechnics for the Financial Years 2021/2022, 2022/2023, 2023/2024 and 2024/2025. The institutions reviewed include Kabete National Polytechnic, Kenya Coast National Polytechnic, Kisumu National Polytechnic, Michuki National Polytechnic, Nairobi National Polytechnic, Nyamira National Polytechnic, Taita Taveta National Polytechnic, Mawego National Polytechnic and Bungoma National Polytechnic.

During the examination process, the Committee invited Accounting Officers and relevant officials from the respective institutions to appear before it and provide evidence, explanations, and clarifications on the audit queries raised. This process enabled the Committee to interrogate issues comprehensively and make informed findings and recommendations.

The Committee observed several recurring and cross-cutting issues affecting the Technical and Vocational Education and Training (TVET) sector. These include non-compliance with statutory requirements on ethnic and regional diversity, failure to meet affirmative action thresholds for persons with disabilities, accumulation of long-outstanding receivables, weaknesses in budgetary control and performance, inadequate management of property, plant and equipment, procurement irregularities and non-compliance with financial reporting standards.

This report presents the Committee's general observations and recommendations on systemic challenges, as well as specific findings and recommendations relating to each institution and audit query. The recommendations are aimed at strengthening financial management, enhancing compliance with legal and regulatory frameworks and promoting efficiency and accountability in the use of public resources within the TVET sector.

The Committee emphasizes the need for Accounting Officers to take deliberate and proactive measures to address the identified shortcomings; including strengthening internal controls, ensuring timely reconciliation and reporting, enhancing debt management practices and strictly adhering to procurement laws and financial reporting standards. The Committee further calls upon relevant government agencies to support these institutions in addressing structural and funding challenges that affect their operations.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it in the execution of its mandate. The Committee also acknowledges the Office of the Auditor-General for its invaluable technical support, as well as the Accounting Officers and staff of the respective institutions for their co-operation during the inquiry process.

I also commend Members of the Committee and the Secretariat for their dedication, diligence and commitment; which enabled the successful examination of the audit reports and preparation of this report.

On behalf of the Public Investments Committee on Governance and Education, and pursuant to Standing Order 199(6), it is my honour and privilege to present the Twelfth Report of the Committee on the examination of the reports of the Auditor-General on the financial statements of National Polytechnics for the Financial Years 2021/2022 to 2024/2025.



**HON. WANAMI WAMBOKA, CBS, M.P.**

**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND  
EDUCATION**

## **EXECUTIVE SUMMARY**

The 12<sup>th</sup> Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of nine (9) National Polytechnics.

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

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

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

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

## CHAPTER ONE

### 1.0 PREFACE

#### 1.1 Establishment and Mandate of the Committee

1. The Public Investments Committee on Governance and Education is established under the National Assembly Standing Order (S.O.) 206 and is responsible for the examination of the working of public investments based on their audited reports and accounts. It is mandated to-
  - i. Examine the reports and accounts of the public investments;
  - ii. examine the reports, if any, of the Auditor-General on the public investments; and
  - iii. examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.
2. The Committee, in considering the Audited accounts of State Corporations, is guided by the Constitution of Kenya and the following statutes and codes/regulations in undertaking its mandate: -

#### a) Chapter Twelve of the Constitution on Public Finance

##### *Part I-Principles of Public Finance*

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

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

##### *Part 6: Control of Public Money*

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

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

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

The Public Finance Management Act, Cap. 412A

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

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

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

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

## 1.2 Committee Membership

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

### **Chairperson**

The Hon. Wanami Wamboka, CBS, MP.  
Bumula Constituency

### **DAP-K Party**

### **Vice Chairperson**

The Hon Boyd Were Ong'ondo Were, MP  
Kasipul

### **ODM Party**

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

### **UDA Party**

The Hon. Bonaya Gollo, MP  
Isiolo County

### **Jubilee Party**

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

### **Jubilee Party**

The Hon. Shadrack Mwiti, MP.  
Imenti South Constituency

### **Jubilee Party**

The Hon. Thuddeus Nzambia, MP.  
Kilome Constituency

### **WDM Party**

The Hon. Moses Kirima, MP  
Imenti Central Constituency

### **UDA Party**

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

### **UDA Party**

The Hon. Daniel Karitho, MP  
Igembe Central Constituency

### **Jubilee Party**

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

### **DAP-K Party**

The Hon. Chiforomodo Munga, MP  
Lungalunga Constituency

### **UDM Party**

The Hon. Rebecca Tonkei, MP.  
Narok County

### **UDA Party**

The Hon. Joseph Tonui, MP  
Kuresoi South Constituency

### **UDA Party**

The Hon Alfa Miruka, CBS, MP  
Bomachoge Chache Constituency

### **UDA Party**

### 1.3 Committee Secretariat

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

Ms. Ruth M. Gakuya

Clerk Assistant I/ Lead Clerk

Ms. Winny Otieno

Clerk Assistant III

Mr. Enock Manwa

Clerk Assistant III

Ms. Noel Amutabi

Legal Counsel II

Ms. Eunice Liavuli

Research Officer III

Mr. Edwin Machuki

Fiscal Analyst II

Ms. Georgina Okoth

Research Officer III

Mr. Peter Mutethia

Audio Officer

Mr. Stephen Otieno

Sergeant at Arms

Ms. Mary Kamande

Protocol Officer

Mr. Derrick Kathurima

Media Relations Officer

#### 1.4 Committee proceedings

6. To produce this report, the Committee held eleven (11) sittings in which it examined the Reports of the Auditor General on the Financial Statements of Nine (9) National Polytechnics as follows:-

<b>Name of Institution</b>	<b>Financial Year</b>
1) Kabete National Polytechnic	2021/2022 to 2024/2025
2) Kenya Coast National Polytechnic	2021/2022 to 2024/2025
3) Kisumu National Polytechnic	2021/2022 to 2024/2025
4) Michuki National Polytechnic	2021/2022 to 2024/2025
5) Nairobi National Polytechnic	2021/2022 to 2024/2025
6) Nyamira National Polytechnic	2022/2023 to 2024/2025
7) Taita Taveta National Polytechnic	2022/2023 to 2024/2025
8) Mawego National Polytechnic	2022/2023 to 2024/2025 and:
9) Bungoma National Polytechnic	2021/2022 to 2024/2025

7. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee heard and received both oral and written evidence from Chief Principals and Principals (Accounting Officers) of various National Polytechnics and other relevant witnesses.
8. The recommendations on the issues raised by the Auditor-General for the various National Polytechnics are found under appropriate sections of the report on each of the State Corporations examined.
9. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments made in the governance and education sectors as a whole.

## CHAPTER TWO

### 2.0 GENERAL COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

10. In consideration of the reports submitted by various state agencies, the Committee noted several cross-cutting and, at times, persistent issues that shaped its general observations and recommendations. Specific findings and recommendations are, however, addressed in relation to the respective agencies.
11. Having conducted a comprehensive examination of the Auditor-General's reports on the audited accounts, the Committee makes the following general observations regarding recurring audit queries and systemic challenges affecting the Technical and Vocational Education and Training (TVET) sector.

#### **1. Failure to adhere to gender, ethnicity and regional balance**

12. This report highlights concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. This is contrary Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one-third of its staff from the same ethnic community.
13. Despite explanations from Accounting Officers that the lack of diversity was historical and prevalent because of the geographical location, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable. The committee however, notes and appreciates the efforts made by some institutions to comply with this law progressively.

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

14. *The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, CAP. 7N.*
15. *Further, the National Cohesion and Integration Commission, together with the Inspectorate of State Corporations, conducts bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.*

#### **2. Non-compliance with Affirmative Action on Employment**

16. The committee observed that all the institutions in this report were in breach of Section 21(2)(a) of the Persons with Disabilities Act, 2025 which states that where an employer has

at least twenty (20) employees, reserve at least five (5%) per cent direct employment opportunities for persons with disabilities to secure employment.

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

### **3. Long outstanding receivables**

18. The Committee observed that persistent and unsustainable accumulation of long-outstanding receivables across the institutions, largely comprising student debtors and other legacy debts dating back several years, with minimal or no evidence of effective recovery or write-off action. This is indicative of weak debt management practices, failure to enforce credit control policies, and non-compliance with impairment and provisioning requirements under IPSAS 41, resulting in overstatement of assets and misrepresentation of the financial position.
19. Further, the continued retention of irrecoverable debts, including those relating to deceased persons and former employees, without requisite approvals reflects poor financial stewardship and a breach of the responsibilities of Accounting Officers under Section 68 of the Public Finance Management Act.

### ***Committee Recommendations***

20. *The Committee recommends that all Accounting Officers conduct a comprehensive reconciliation of all student debtors and submit detailed ageing analyses to the Auditor-General within three (3) months. Of the adoption of this report. Further, Accounting Officers must assess the recoverability of all receivables outstanding for more than one year and recognize appropriate impairment provisions in the financial statements in compliance with IPSAS 41, within three (3) months.*
21. *Where receivables are deemed irrecoverable, including debts owed by deceased persons, former employees, or students who have left the institution, Accounting Officers must obtain formal write-off authority from the National Treasury within six (6) months, in accordance with Section 68 of the Public Finance Management Act, to ensure proper financial management and accountability.*

### **4. Budgetary Control and Performance**

22. The Committee observed that there were persistent and widespread budgetary control and performance challenges across the institutions, characterized by significant underfunding, under-expenditure, and instances of over-expenditure without approved supplementary

budgets, reflecting weak budget formulation, poor expenditure control, and over-reliance on government capitation.

23. Further, the failure by institutions to provide explanations for material variances between budgeted and actual amounts in their financial statements contravenes Section 81(3) and undermines the responsibilities of Accounting Officers under Section 68(2) of the Public Finance Management Act, as well as the requirements of IPSAS 24, thereby affecting transparency, accountability, and effective service delivery.

### ***Committee Recommendations***

24. *The Committee recommends that within three (3) months upon adoption of this report, all Accounting Officers strengthen budget formulation processes to ensure that projections are realistic, achievable, and informed by historical revenue performance, confirmed funding commitments, and prevailing economic trends, in line with the principles of prudent financial management under the Public Finance Management Act.*
25. *Further, all institutions must ensure that their financial statements include a clear and comprehensive statement explaining material variances between budgeted and actual amounts in compliance with Section 81(3) of the Public Finance Management Act and the requirements of IPSAS 24.*
26. *The Committee further recommends that the Ministry of Education and the National Treasury ensure timely and adequate disbursement of capitation funds to TVET institutions to facilitate the effective implementation of approved budgets and mitigate the accumulation of receivables.*

### **5. Institutional Land holdings**

27. The Committee noted several instances where land owned by various institutions remained unsecured and lacked proper title documentation. The absence of legal ownership records exposes these institutions to risks, including land disputes, encroachment, and potential loss of property. In some cases, institutions were occupying land without formal titles, making it difficult to undertake development projects.

### ***Committee Recommendations***

28. *The Committee recommends that the Ministry of Lands and the relevant government agencies should fast-track the titling and registration of all institutional land holdings to ensure legal ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment.*
29. *In addition, the government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions*

*facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.*

## **6. Procurement irregularities and Non-Compliance with Procurement laws**

30. The Committee observed pattern of systemic procurement irregularities and non-compliance across the institutions, including unlawful advance payments, use of inappropriate procurement methods, awards to non-compliant bidders, procurements outside approved plans, and inadequate documentation, contrary to the provisions of the Public Procurement and Asset Disposal Act. In particular, the irregular award of tenders without mandatory statutory compliance, unauthorized advance payments, and transfer of public funds to unregulated entities expose public resources to significant risk of loss and undermine transparency, accountability, and value for money in public procurement.

### ***Committee Recommendations***

31. *The Committee recommends that all Accounting Officers ensure strict compliance with the provisions of the Public Procurement and Asset Disposal Act by enforcing competitive bidding, adhering to approved procurement methods, and obtaining all requisite approvals prior to undertaking any procurement.*
32. *Further, institutions must prepare realistic and comprehensive annual procurement plans in the prescribed format, fully aligned with the approved budget, and ensure that no procurement is undertaken outside the approved plan.*
33. *Additionally, all procurement processes must be properly and fully documented, including requisitions, evaluation reports, tender committee minutes, inspection and acceptance reports, and duly executed contracts, to enhance transparency, accountability, and audit trail in public procurement.*

## **7. Compliance with Statutory and Reporting Requirements**

34. The Committee observed non-compliance with statutory requirements and financial reporting standards across the institutions, including failure to remit statutory deductions, preparation of financial statements that do not conform to prescribed reporting standards by the Public Sector Accounting Standards Board, and violation of the one-third basic pay rule contrary to the Employment Act. These irregularities undermine the integrity, accuracy, and reliability of financial reporting, expose employees to financial risk, and reflect weak internal controls and inadequate adherence to established legal and regulatory frameworks.

### ***Committee Recommendations***

35. *The Committee recommends that all Accounting Officers ensure timely and full remittance of statutory deductions, including PAYE, NSSF, NHIF, Housing Levy, NITA, and pension*

*contributions, to the respective authorities in compliance with applicable laws. Further, institutions must prepare financial statements in strict adherence to the reporting templates and standards prescribed by the Public Sector Accounting Standards Board, ensuring completeness, accuracy, and inclusion of all required disclosures, notes, and reconciliations.*

- 36. The Committee further recommends that Accounting Officers enforce strict compliance with Section 19(3) of the Employment Act by monitoring payroll deductions to ensure that they do not exceed the statutory limit, and by advising affected staff on appropriate loan restructuring mechanisms. Institutions must also maintain accurate and complete payroll records for all employees, including casual and contract staff, to enhance accountability and auditability.*
- 37. In addition, the Committee recommends that all trainers be registered and licensed by the Technical and Vocational Education and Training Authority in accordance with Section 23 of the Technical and Vocational Education and Training Act within six (6) months.*

## CHAPTER THREE

### CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON VARIOUS NATIONAL POLYTECHNICS.

#### 3.0 KABETE NATIONAL POLYTECHNIC

38. Mr. Patrick Muchemi, Principal, accompanied by;

- i. Mr. Mwangi Ndung'u - Finance Officer
- ii. Mercy Wangari Wanjeri- Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Kabete National Polytechnic, on 25<sup>th</sup> March 2025.

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

##### 3.1.1 Unsupported Property, Plant and Equipment

39. The statement of financial position reflects property, plant and equipment balance of Kshs.4,324,420,997 as disclosed in Note 22 in the financial statements. However, review of the asset register revealed that the motor vehicles' net book value is recorded as Kshs.21,492,356 while the register indicates value of Kshs.20,149,083 resulting to an unreconciled variance of Kshs.1,343,273. Further, motor vehicles, plant and machinery were fully depreciated with nil net book values but still appeared in the books of the Polytechnic.
40. In addition, as reported in the previous year, review of the Board minutes and the Polytechnic land file revealed that the Polytechnic was allocated land under Grant No. I.R. 23463 for a period of 99 years from 1 January, 1967 registered in the name of Board of Governors Kabete Technical School measuring 52.6 acres. Further, review of the Board minutes and land file correspondences revealed a long-running dispute between the Polytechnic and the local Church which claims ownership of five (5) acres. The National Lands Commission investigated the matter and concluded that the Church has no legal claim on the land and that the title held by the Church was obtained fraudulently.
41. The Polytechnic Council and Management have not demonstrated action taken to secure the land and ensure that it is registered in the name of the Polytechnic as required by Section 3(2Xb) of the Kabete National Polytechnic Order, 2016.
42. In the circumstances, the accuracy, completeness, ownership and valuation of the property, plant, and equipment balance of Kshs. 4,324,420,997 as at 30 June, 2022 could not be confirmed.

### ***Management Response***

43. The management stated that there was an understatement of depreciation for the period under review. However, necessary corrections were made to the revised financial statements and the book value of motor vehicles is in agreement with that in the assets register. Adjusted IFMIS reports (statement of receipt and payments, Trial balance) provided.
44. The process is ongoing gazette notice was done via gazette notice No. 16764 dated 20th December, 2024. As at today, the Kabete National Polytechnic has managed to get a Provisional Certificate of Title IR23463 dated 10th March,2025.

### ***Committee Observation***

45. The Committee observed that: -
  - i. The depreciation was affected and reflected in the financial statements as verified by the OAG thereby addressing the matter;
  - ii. The Management had acquired Provisional Certificate of Title IR23463 dated 10<sup>th</sup> March,2025 which was submitted and verified by the OAG.

### ***Committee Recommendation***

46. The Committee recommends that the Accounting Officer should ensure that the original title deed is obtained within three (3) months upon adoption of this report by the House.

#### **3.1.2 Unsupported Receivables from Exchange Transactions**

47. The statement of financial position and as disclosed in Note 20 to the financial statements reflects receivables from exchange transactions balance of Kshs.78,923,388. Included in this balance is rental debtors of Kshs.7,819,147. However, aging analysis of rental records revealed that an amount of Kshs.6,902,797 had been outstanding for over one year with some rent debtors dating back to the year 2007. Further, included in the rent debtors are amounts of Kshs.1,034,000 in respect of deceased staff and Kshs.4,893,311 in respect of staff who either retired or moved out of the staff houses for which there is no recovery plan.
48. In addition, included in the receivables balance is Kshs.420,000 and Kshs.63,438,759 relating to Kenya Power and student debtors respectively. Management did not provide explanations on the amounts due that had not been recovered or written off from the books of accounts.
49. In the circumstances, the accuracy and fair statement of the receivables from exchange transactions balance of Kshs.78,923,388 as at 30 June, 2022 could not be confirmed.

### ***Management Response***

50. The management stated that currently, all trainers have been taken over by the Public Service Commission and deductions were made but the Directorate is yet to remit the money so that we can offset with the outstanding balances of the respective trainers. The management also wrote to the Directorate to remit the money recovered from trainers' salaries.
51. The polytechnic has also written to individual trainers demanding payment of rent arrears.
52. As for the deceased (unrecoverable), the Polytechnic Management and the Council are seeking authority to write them off as bad debt.
53. The Polytechnic Management to recover Kshs 518,000 (Less Withholding Tax of Kshs 48,000) from Kenya Power and Lighting Company on 23rd April, 2024

### ***Committee Observation***

54. The Committee observed that the management had taken measures for recovery with the salary advance being deducted on a monthly basis. Additionally, the debt from Kenya Power had been recovered and that the polytechnic was awaiting authority from the National Treasury to write off the irrecoverable debt.

### ***Committee Recommendation***

55. The Committee recommends that the management should ensure full recovery from the Officers still in service and;
56. On the write-off, the Committee recommends that the Accounting Officer should take up the issue with the National Treasury with a view to getting approval to write off the bad debt.

### **3.1.3 Unreconciled Variance Between the Polytechnic and the Kenya Universities and Colleges Central Placement Service**

57. The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables from exchange transactions of Kshs.58,433,571. The data retrieved from Kenya University and Colleges Central Placement Service revealed that the Polytechnic owes the Service an amount of Kshs.11,028,000. However, the Polytechnic only disclosed an amount of Kshs.8,182,000 resulting in an unreconciled variance of Kshs.2,846,000. In the circumstance, the accuracy and completeness of trade and other payables from the exchange.

### ***Management Response***

58. The management submitted that once placement is done not all students placed report to the respective Institutions. KUCCPS will invoice based on the number of students placed and not on students who actually report and get admitted to learning Institutions.
59. Reconciliation was done in the subsequent financial year (2022/2023)

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

60. The Committee observed that the variances were subsequently reconciled and the Kshs.11,028,000 was disclosed as payables to the institution in the subsequent year, thereby addressing the matter.

#### **3.1.4 Budgetary Control and Performance**

61. The Polytechnic incurred expenditure of Kshs.648,885,224 against actual receipts of Kshs.645,028,190 resulting to an over-absorption of Kshs.3,857,034 of the actual budget. The implication of this is that some of the activities implemented in the year were unbudgeted for.

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

62. The management submitted that this was brought about by high cost of living which made the cost of training materials to be higher than expected.

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

63. The Committee observed that the explanation provided by management was satisfactory, thereby addressing the matter.

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

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

64. The statement of financial position reflects property, plant and equipment balance of Kshs.4,372,516,130 as disclosed in Note 18 to the financial statements. However, review revealed the following anomalies: -
- i. The Polytechnic did not revise the residual values and useful lives of property, plant and equipment at the reporting date in accordance with Paragraph 71 of International Public Sector Accounting Standard (IPSAS) 17.
  - ii. As reported in the previous year, review of the Board minutes and the Polytechnic land file revealed that the Polytechnic was allocated land under Grant No. I.R. 23463 for a period of 99 years from 1 January, 1967 registered in the name of Board of Governors, Kabete Technical School measuring 52.6 acres. Further, review of the Board minutes

and land file correspondences revealed a long-running dispute between the Polytechnic and the local Church which claims ownership of five (5) acres. The National Lands Commission investigated the matter and concluded that the Church has no legal claim on the land and that the title held by the Church was obtained fraudulently.

65. The Polytechnic Council and Management have not demonstrated action taken to secure the land and ensure that it is registered in the name of the Polytechnic as required by Section 3(2)(b) of the Kabete National Polytechnic Order, 2016.
66. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 4,372,516,130 could not be confirmed.

### ***Management Response***

67. The management submitted that Property, plant and equipment had been revised. The process was ongoing and gazette notice No. 16764 dated 20<sup>th</sup> December, 2024. As at today, the Kabete National Polytechnic has managed to get Provisional Certificate of Title IR23463 dated 10th March,2025.

### ***Committee Observation***

68. This matter has been addressed by the committee in the previous financial year and the committee reiterates its recommendations.

### **3.2.2 Unsupported Receivables from Exchange Transactions**

69. The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from exchange transactions balance of Kshs.183,872,724. included in this balance is rental debtors of Kshs.7,473,899. However, aging analysis of rental records indicates that an amount of Kshs.534,552 had been outstanding for over two years with some rent debtors dating back to the year 2000. Further, included in the rent debtors are amounts of Kshs.1,777,744 in respect of deceased staff and Kshs.5,106,985 in respect of staff who either retired or moved out of the staff houses for which there is no recovery plan.
70. In addition, included in the receivables balance are amounts of Kshs.182,868 and Kshs.88,444,429 relating to salary advances and student debtors respectively. Management did not provide explanations on the amounts due that had not been recovered or written off from the books of accounts.
71. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.183,872,724, could not be confirmed.

### ***Management Response***

72. The management submitted that they had written a demand letter to affected individuals as well as to the Ministry of Education for recovery of the rent arrears from Public Service Trainers.
73. The salary advance is being deducted on a monthly basis from the staff who had been advanced

### ***Committee Observation***

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

### **3.2.3 Unverifiable Refundable**

75. Deposits The statement of financial position and as disclosed in Note 22 to the financial statements reflects refundable deposits from customers' balances Kshs. 59,031,474. Included in the balance are TVET Scholarships of Kshs.665,000, Constituency Development Fund of Kshs.3,545,971, HELB Student Bursary of Kshs.1,068,350 and HELB Student Loan of Kshs.17,432,166, all totaling Kshs.22,711,487. However, no supporting schedules were provided to show the allocation to each student.
76. In the circumstances, the accuracy and completeness of refundable deposits from customers balance of Kshs.22,711,487 could not be confirmed.

#### **Management Response**

<b>S/No</b>	<b>Details</b>	<b>Amount (Kshs)</b>
1.	TVET Scholarships	665,000
2.	Constituency Development Fund	3,545,971
3.	HELB Student Bursary	1,068,350
4.	HELB Student Loan	17,432,166
	<b>Total</b>	<b>22,711,487</b>

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

77. The supporting schedules were provided and verified by the OAG thereby resolving the matter.

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

78. The statement of financial position and as disclosed in Note 21 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.151,558,922.

79. However, the data retrieved from Kenya Universities and Colleges Central Placement Service (KUCCPS) revealed that the Polytechnic owes the Service an amount of Kshs.11,028,000 but the Polytechnic only disclosed an amount of Kshs.8,182,000, resulting to an unreconciled variance of Kshs.2,846,000. Further, the ageing analysis for trade and other payables indicated outstanding payables which have been outstanding for over three years amounting to Kshs.2,845,500. In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.151,558,922 could not be confirmed.

### ***Management Response***

80. The polytechnic has disclosed the entire amount of Kshs 11,028,000.

81. This is made up of KUCCPS payable as follows:

<b>S/No</b>	<b>Financial Year</b>	<b>Amount</b>
1.	2014/2015	412,500.00
2.	2015/2016	792,000.00
3.	2016/2017	715,500.00
4.	2017/2018	925,500.00
	<b>Total</b>	<b>2,845,500.00</b>

### ***Committee Observation***

82. The supporting schedules were provided and verified by the OAG thereby resolving the matter.

### **Budgetary Control and Performance**

83. The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.1,008,355,110 against actual revenue earned of Kshs.557,692,911, resulting to under-absorption of Kshs.450,662,199 or 44% of the final budget. Further, the statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs.957,159,017 against actual payments of Kshs.453,841,170, resulting to under-absorption of Kshs.503,317,847 or 53% of the final budget.

84. In the circumstances, the under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

### ***Management Response***

85. The management submitted that the Polytechnic had budgeted for construction of centenary building at a cost of Kshs 300,000,000 which was to come from the Government. Due to economic hardship in the county the Government did not disburse development funds as was expected

### ***Committee Observation***

86. The Committee observed that the query arose due to non- disbursement of funds from the exchequer which affected the implementation of planned projects.

### ***Committee Recommendation***

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

### **3.2.5 Affirmative Action on Ethnicity and Regional Diversity**

89. Review of the Polytechnic's staff bio data revealed that one-hundred and fourteen (114) staff on permanent and pensionable service referred to as council non-trainers. However, sixty-six (66) members of staff or 34o/o arc drawn from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of law.

### ***Management Response***

90. The management submitted that this is due to the locality of the institution and it's a historical issue. The Polytechnic has put in place mechanism by reviewing the Human Resource Policy to ensure that the new recruitments takes into consideration the ethnic balance and persons leaving with disabilities (PWDs).

### ***Committee Observation***

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

### ***Committee Recommendation***

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

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

93. Mr. Patrick Muchemi, Principal, accompanied by;

- i. Ms. Mercy Wangari- Internal Auditor
- ii. CPA Ndungu- Finance Officer

appeared before the Committee to adduce evidence on the audited accounts of Kabete National Polytechnic, on 30th January 2026.

#### **3.3.1 Inaccuracies in the Financial Statements**

94. The statement of cash flows reported purchase of property, plant and equipment and intangible assets balance of Kshs.47,952,216 against the recomputed amount of Kshs.51,053,062 resulting to an unreconciled variance of Kshs.3,100,846.
95. The value of inventory totaling Kshs.6,461,298 was omitted from the statement of cash flows.
96. The statement of changes in net assets reflects Nil capital grant while the statement of cash flows reflects Government capital grant received of Kshs.14,050,517 resulting to an unreconciled variance of Kshs.14,050,517.

### ***Management Response***

97. The management submitted that the variance of Kshs.3,100,846 was brought about by acquisition of PP&E item on credit thus not appearing in Statement of Cash Flows which is prepared using a direct method.
98. The value of inventory was included in the use of goods and services Kshs.14,050,517 was accounted for in 2022/2023 Financial Year as receivables from non-Exchange transaction and thus was not relating to the year under review. However, it appears in the statement of cash flow since it involved cash received during the period under review and the bank statement.

### ***Committee Observation***

99. The Committee observed inconsistencies between the Statement of Cash Flows, the Statement of Changes in Net Assets in respect of Government capital grants which indicate weaknesses in the preparation and presentation of financial statements in accordance with the applicable International Public Sector Accounting Standards (IPSAS).

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

100. The Committee recommends that management should ensure that financial statements are prepared and presented in full compliance with the International Public Sector Accounting Standards (IPSAS) and that all statements are properly reconciled before submission for audit to enhance accuracy, consistency, and reliability of financial reporting.

#### **3.3.2 Long Outstanding Receivables**

101. The financial statements reflect receivables from exchange transactions balance of Kshs.189,551,692 which include Kshs.136,412,465 which have been outstanding for more than two years. Further, the balance includes long outstanding receivables in respect of house rent from 5 deceased staff of Kshs.1,984,994 and rent receivable from staff who moved out of Kshs.5,106,985. These receivables have been outstanding for more than 5 years and no effort for recovery has been put in place.

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

102. The management submitted that the huge balance of receivable is due to reduced capitation contrary to expectations and also delay in disbursement of capitation grant by the Government. The management has taken necessary steps to ensure that the outstanding revenue is collected soonest possible.

103. The management has written demand letter to affected individuals as well as to the Ministry of Education for recovery of the rent arrears from Public Service Trainers.

104. As for the deceased (unrecoverable), the Polytechnic Management and the Council are seeking authority to write them off as bad debt.

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

105. The Committee notes that these matters are recurring from the previous financial year and reiterates its recommendations.

#### **3.3.3 Unsupported Receivables from Exchange Transactions**

106. The financial statements reflect receivables from exchange transactions balance of Kshs.189,551,692 which were not supported with the receivable's movement schedule, receipt invoices, receipt vouchers and receivables ledger.

### ***Management Response***

107. The management submitted that the support schedules were provided for audit review.

### ***Committee Observation***

108. The Committee observed that requisite documentations were provided and verified by the Auditor General and the matter was adequately addressed and resolved.

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

109. The financial statements reflect property, plant and equipment and intangible assets balances of Kshs.4,334,968,103 and Kshs.7,561,110. However, there has been a long running dispute between the Polytechnic and a local church which claims ownership of 5 acres. The NLC investigated the matter and concluded that the Church has no legal claim to the land and that the title was obtained fraudulently. The Polytechnic Council and Management have not demonstrated action taken to secure the land and ensure it is registered in the name of the Polytechnic.

### ***Management Response***

110. The management submitted that Kabete National Polytechnic has a genuine Title Deed which was issued on 1st January, 1967. However, since it's an old generation title, the polytechnic is in the process of acquiring new generation title deed. The process is ongoing gazettement was done via gazette notice No. 16764 dated 20th December, 2024. The process of Gazettement was to take 60 days and soon when the statutory period lapses, the registrar of Lands will proceed to register and sign the New Generation Title Deed in the name of Kabete National Polytechnic. As at today, the Kabete National Polytechnic has managed to get Provisional Certificate of Title IR23463 dated 10th March,2025.

### ***Committee Observation***

111. The Committee observed that the institution holds an old generation title deed and that management has initiated the process of converting it to a new generation title. The Committee further noted that the gazettement was done through Gazette Notice No. 16764 dated 20 December 2024 and that the institution has since obtained a Provisional Certificate of Title (IR 23463) dated 10 March 2025, with the process of registration of the new generation title deed ongoing.

### ***Committee Observation***

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

### **3.3.5 Unreconciled Cash and Cash Balances**

113. The financial statements reflect cash and cash equivalents balance of Kshs.69,407,209 which includes Kshs.3,212,718 relating to a local bank internal development. However, the amount differs with the cashbook balance of Kshs.5,673,472 in the reconciliation statement resulting to an unreconciled variance of Kshs.2,460,754.

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

114. The management submitted that reconciliation was done to reconcile the cashbook balance and the bank statement.

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

115. The Committee observed that the management presented the requisite reconciliation documentation, which was verified by the Auditor General thus the issue is resolved.

### **3.3.6 Long Outstanding Payables from Exchange Transactions**

116. The financial statements reflect trade and other payables from exchange transactions balance of Kshs.84,844,439 which includes Kshs.17,190,583 that have remained outstanding for more than 1 year.

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

117. This was due to delay in disbursement of capitation by the ministry as well as reduced capitation. Creditors were paid during in 2024/2025.

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

118. The Committee noted that the delay in settling creditors was attributed to delayed and reduced capitation from the Ministry, however, the outstanding amounts were subsequently settled during the 2024/2025 financial year thus the issue is resolved.

### **3.3.7 Non-Compliance with Affirmative Action on Ethnicity and Regional Distribution**

119. Audit of the payroll revealed that the Polytechnic had 206 members of staff out of which 75 or 36% of total staff were from the same ethnic community. Further, there were no persons with disabilities (PWDs) in the same period.

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

120. This is due to the locality of the institution and it's a historical issue. The Polytechnic has put in place mechanism by reviewing the Human Resource Policy to ensure that the new

recruitments take into consideration the ethnic balance and persons leaving with disabilities (PWDs).

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

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

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

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

#### **3.3.8 Unrealized Income**

123. The financial statements reflect hire of facilities and equipment of Kshs.8,860,750. However, the lease agreement with KPLC had not been reviewed for the last 17 years despite a clause requiring review after 10 years thus denying the Polytechnic revenue that would have been realized if the rates were reviewed.

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

124. The Management held a meeting with the officers from KPLC on 8th April, 2025 to discuss on the review of the lease charges as stipulated by the lease agreement. It was resolved that the Polytechnic to write to the Department of Lands and Physical Planning to request for the valuation of the parcel of land leased to KPLC.

125. The Polytechnic also wrote to the principal Secretary State Department of Lands and Physical Planning requesting for the services of a registered valuer.

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

126. The Committee observed that:-

- i. the Accounting Officer failed to comply with Section 68(2)d of the PFM Act (CAP 412A) which provides that “*accounting officers shall ensure that all contracts entered to by the entity are lawful and complied with*” by taking inordinately long to review the terms of the lease agreement contrary to clauses requiring review after 10 years. This delay consequently denied the Polytechnic revenue that would have been realized had the rates were reviewed.

- ii. the Polytechnic subsequently wrote to the State Department for Lands and Physical Planning requesting the services of a registered valuer to undertake valuation of the parcel of land leased to Kenya Power in order to facilitate a proper review of the lease charges.

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

127. The Committee recommends that the State Department for Lands and Physical Planning should expedite the valuation of the parcel of land leased to Kenya Power and Lighting Company to facilitate timely review of the lease charges in accordance with the terms of the lease agreement and ensure that the institution receives fair value from the lease arrangement.

#### **3.3.9 Failure to Disclose Biological Assets and a Forest**

128. The Polytechnic failed to disclose biological assets of livestock, crops, plantations and a forest under its control. Biological assets and the forest were not included in the financial records, and no disclosure was made in the financial statements. There was also no supporting documentation provided to explain the valuation, management, or recognition of these assets.

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

129. The polytechnic did not have biological assets of livestock during the year under review. However, a disclosure has been made in the financial statement to indicate that the polytechnic had an unknown value of trees and crops at the end of the year under review

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

130. The Committee observed that although the Polytechnic did not have biological assets in the form of livestock during the year under review, the financial statements disclosed the existence of trees and crops whose value had not been determined, indicating that these biological assets had not been properly valued or recorded.

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

131. The Committee recommends that management undertakes proper valuation of all biological assets, including trees and crops, and ensures that they are accurately recorded and disclosed in the financial statements in accordance with the applicable International Public Sector Accounting Standards (IPSAS).

#### **3.3.10 Officers Earning Less than a Third Basic Pay**

132. Analysis of payroll data revealed that 3 staff members in the month of October, 2023 were earning net pay less than a third of their basic salary.

***Management Response***

133. The management submitted that this was brought about by introduction of new levies such as Housing Levy and SHA

***Committee Observation***

134. The Committee noted that the increase was largely attributed to the introduction of new levies, including the Housing Levy and the SHA, which impacted the overall financial obligations of the institution.

**3.3.11 Irregularity on Monthly Payroll**

135. Review of the 12-month payrolls revealed instances of 19 staff who changed their basic salary more than twice in the year. There was an increase in the month of February, 2024 and the reduction in the subsequent months. Further, there were three (3) staff pay grade “Group J -Trainers” introduced in the payroll in February, 2024 then exited in March and reintroduced in June, 2024.

***Management Response***

136. For the 19 staff their salaries was right. CTO 970 ,971 AND 972 were recruited in June 2024 who are not the same as those who joined in February. In February the following joined: CTO 839, CTO 961, CTO 962, CTO, 963 CTO 964.

***Committee Observation***

137. The Committee noted the management responses and with verification from the Auditor General, regularization was made thus the issue is resolved.

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

**3.4.1 Non-Compliance with Affirmative Action on Ethnicity and Regional Distribution**

138. Review of personnel records and payroll database revealed that the Polytechnic had 211 staff out of which 73 staff or 35% were from the same ethnic community.

### ***Management Response***

139. This is due to the locality of the institution and it's a historical issue. The Polytechnic has put in place mechanism by reviewing the Human Resource Policy to ensure that the new recruitments take into consideration the ethnic balance.

### ***Committee Observation***

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

### **3.4.2 Non-Compliance with Employment Quotas for Persons with Disability**

141. Review of payroll data revealed that Persons with Disabilities (PWDs) were not represented in the total population of the 211 staff or among the staff recruited during the year under review contrary to the law.

### ***Management Response***

142. Kabete national polytechnic has undevoured to give equal employment opportunities to all without discrimination. This is evidenced in our advertisement, where we always give an emphasis that Persons with Disabilities are encourage to apply. However, no applications are received from persons with Disabilities.

### ***Committee Observation***

143. The Committee observed that Persons with Disabilities (PWDs) were neither represented among the 211 staff nor among new recruits during the year under review, contrary to the provisions of the Persons with Disabilities Act, 2003, which requires affirmative action in employment.

### ***Committee Recommendation***

144. The Committee recommends that Management strengthens outreach and recruitment strategies to actively encourage applications from PWDs, ensuring compliance with the Persons with Disabilities Act, 2003 and promoting inclusivity in employment.

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

145. The financial statements reflects receivables from exchange transactions balance of Kshs.258,782,029 which includes Kshs.163,437,980 that had been outstanding for over 3 years. In addition, the balance includes Kshs.1,777,744 in respect of house rent from 5 deceased officers that have been outstanding for more than 6 years and no effort for recovery has been put in place.

### ***Management Response***

146. The huge balance of receivable is due to reduced capitation, contrary to expectations and also delay in disbursement of capitation grant by the Government. However, the polytechnic is sensitizing the students on importance of applying for CDF and HELB bursaries
147. The Polytechnic Management and the Council are seeking authority to write then off as bad debt owed by the deceased.

### ***Committee Observation***

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

### **3.4.4 Unbalanced Budget**

149. The statement of comparison of budget and actual amounts reflects final budgeted revenue and expenditure of Kshs.656,718,900 and Kshs.837,596,816 respectively resulting to a budget imbalance of Kshs.180,877,916.

### ***Management Response***

150. This was brought by the fact that when we prepare our budget, we are advised not to factor in capitation, scholarship and any other special purpose grant from the Government.

### ***Committee Observation***

151. The Committee noted that the variance arose because the budget excluded capitation, scholarship, and other special purpose Government grants, contrary to Section 29(1) of the Public Finance Management Act, 2012, which requires that all expected government funding and sources of revenue be reflected in the budget to ensure completeness and accuracy.

### ***Committee Recommendation***

152. The Committee recommends that management includes all expected funding sources, such as capitation and special purpose grants, in the budget to ensure accurate and balanced budget preparation.

### **3.4.5 Unrealized Income**

153. The financial statements reflects revenue from hire of facilities and equipment's of Kshs.8,620,910. However, the lease agreement with KPLC had not been reviewed for the

last 17 years despite a clause requiring review after 10 years thus denying the Polytechnic revenue that would have been realized if the rates were reviewed.

### ***Management Response***

154. The Management held a meeting with the officers from KPLC on 8th April, 2025 to discuss on the review of the lease charges as stipulated by the lease agreement. It was resolve that the Polytechnic write to the Department of Lands and Physical Planning to request for the valuation of the parcel of land leased to KPLC.

155. The Polytechnical also wrote to the PS State Department of Lands and Physical Planning requesting for the services of a registered valuer. We are waiting for the response from the Office of the Principal Secretary.

### ***Committee Observation***

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

#### **4.0 KENYA COAST POLYTECHNIC**

157. The Principal, Mr. Geoffrey Andama, accompanied by Mr. Clarkson Bolo, the Finance Officer appeared before the Committee to adduce evidence on the audited accounts Kenya Coast National Polytechnic, on 2nd February 2026.

#### **4.1 Audited Statements for Financial Year 2021/22 (Qualified Opinion)**

##### **4.1.1 Inaccuracies in the Financial Statements**

158. The statement of financial position reflects inventory balance of Kshs.5,740,608 as at 30 June, 2021 while the previous audited balance was Kshs.3,728,199, resulting in a variance of Kshs.2,012,409 which was not explained or reconciled.

159. In the circumstances, the accuracy and completeness of the inventory balance as at 30 June, 2022 could not be confirmed.

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

160. The Management submitted that the matter has been corrected as per evidence marked INV2022.

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

161. The Committee observed that management failed to demonstrate, with verifiable documentation, how the error was corrected. Merely citing evidence without showing the corrective process or its impact on the financial records is insufficient to satisfy audit requirements.

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

162. The Committee recommends that management should provide a detailed reconciliation showing how the variance was corrected to the OAG within three (3) months of adoption of this report by the House.

163. The Committee recommends that the Accounting Officer should comply with Section 68(2)(b) of the PFM Act (CAP 412A) by ensuring that the entity keeps accounting records that comply with the Act.

##### **4.1.2 Property, Plant and Equipment-Ownership documents**

164. As previously reported, included in the property, plant and equipment balance of Kshs.1,684,741,136 is Kshs.832,486,760 in respect of Shanzu land and Kshs.240,349,188 in respect of Town land, all totaling Kshs.1,072,835,948.

165. The title deed for Shanzu land provided for audit review indicated that the land was registered in the name of the Polytechnic and the parcel of land measures twenty-two (22) hectares. However, information available indicates that the land has been encroached on by squatters who have put up permanent structures.
166. Although the Management confirmed that the National Land Commission had issued a notice to the squatters to vacate the land, no action had been taken by the time of audit in the month of January ,2023 and the squatters continue to occupy the land. The possible impairment as a result of the encroachment has not been provided for in these financial statements.
167. Further, Town land is the land on which the Polytechnic presently stands. Information provided for audit review indicates that the land is registered in the name of County Government of Mombasa. It was also noted that the same parcel of land has four (4) public primary schools and two (2) secondary schools.
168. In the circumstances, the accuracy, completeness, rights and obligations of the property, plant and equipment amount of Kshs.1,684,741,136 could not be confirmed.

### ***Management Response***

169. The Management submitted that Shanzu land belongs to Kenya Coast National Polytechnic, though it remains occupied by squatters to date.
170. For the Island land, management notes that there is a court judgment affirming ownership by Kenya Coast National Polytechnic, with supporting evidence marked ILCR 2024/2025.

### ***Committee Observations***

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

### ***Committee Recommendation***

172. The Committee recommends that management, in collaboration with the Ministry of Lands, Ministry of Education, the National Land Commission, County Government of Mombasa, take immediate steps to secure vacant possession of the Shanzu land and obtain the title deeds for the parcels. A comprehensive report detailing actions taken, timelines, and the status of schools occupying the land should be submitted to the OAG within two (2) months of adoption of this report by the House. The OAG to confirm progress in the next audit cycle.

#### **4.1.3 Receivables from Exchange Transactions- Long Outstanding Debts**

173. The statement of financial position and as detailed in Note 18 to the financial statements reflect an amount of Kshs.311,124,401 in respect of receivables from exchange transactions. Review of records provided for audit revealed the following observations:

174. As disclosed in Note 18, Kshs.105,780,204 relates to student debtors. The balance has increased by 30% from Kshs.73,745,029 in 2020/2021 to Kshs.105,780,204 in 2021/2022 financial year. However, there is no evidence of any efforts made towards collecting the debts.

175. Further, as reported in previous years, receivables from exchange transactions balance of Kshs.311,124,401 includes Kshs.4,159,310 in respect of a staff debtor. Information available indicates that the debt relates to fraud by the staff and was a subject of a court case which has been determined in favour of the staff. However, it was not clear why to date the debt has not been written off.

176. In the circumstances, the accuracy, completeness and validity of the trade and other receivables balance of Kshs.311,124,401 could not be confirmed.

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

177. The Management submitted that continuing students are issued demand letters to pay outstanding fees, as evidenced by document marked SDL2022. For students who have completed their studies, payment of outstanding fees is required at the time they collect their academic documents. Further, Kshs.4,159,310 owed in the name of a former employee has been written off.

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

178. The Committee observes that management did not provide an explanation for the increased balance of uncollected fees, leaving the cause of the rise unclear.

179. The Committee further notes that documentation supporting the write off of Kshs.4,159,310 was not availed, raising concerns about the legitimacy and authorization of the write off.

180. The management reported that while the institution has a draft debt management Policy, most of the debt owed is due to delayed capitulation.

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

181. The Committee recommends that the management should

- i. provide a detailed breakdown explaining the reasons for the increased uncollected fees, including measures being taken to improve recovery.

- ii. submit all supporting documentation authorizing the write off of Kshs.4,159,310 to the OAG within three (3) months of adoption of this report. The Auditor shall verify the adequacy of the documentation in the next audit cycle.
- iii. Have an approved Debt Management Policy in place within three (3) months of adoption of this report.

#### **4.1.4 Budgetary Control and Performance**

182. The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.580,776,000 and Kshs.390,722,112 respectively resulting to an under-funding of Kshs.190,053,888 (or 33o/o) per cent of the budget. Similarly, the Polytechnic expended Kshs.375,151,162 against an approved budget of Kshs.580,429,000 resulting to an under-expenditure of Kshs.205,277,838 (or 35%) per cent of the budget.
183. The shortfall in receipts and under-expenditure affected the Polytechnic's planned activities and impacted negatively on service delivery to the public.

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

184. The management submitted that the shortfall in receipts and under-expenditure is due to scaling down expenses based on the generated revenue that is available for spending.

#### ***Committee observation***

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

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

187. The Committee recommends the Ministry of Education should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.
188. Further, the committee recommends that the Institutions be encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

#### **4.1.5 Unresolved Prior Year's Audit Matters**

189. In the audit report of 2021/2022 financial year several audit issues were raised. However, the issues remained unresolved as at 30 June, 2023. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues.

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

190. The management submitted that the Institution is making efforts in having the issues addressed in line with Section 31 (1) of the Public Audit Act, CAP 412B.

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

191. The Committee observes that despite management's assurances, prior-year issues remain unresolved. This persistence reflects inadequate corrective action and constitutes a breach of Section 31(1) of the Public Audit Act, CAP 412B which requires timely resolution of audit queries.

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

192. The Committee recommends that management provide a comprehensive status report detailing all unresolved prior-year issues, actions taken to date, and clear timelines for resolution. This report should be submitted within one (1) month of adoption of this report. The Auditor shall verify progress in the next audit cycle, and continued recurrence will attract severe sanctions for the culpable officers.

#### **4.1.6 Construction of Baffle Reactors and Soak Pits**

193. The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.38,113,197 in respect of repairs and maintenance expenses. Included in the expenditure is an amount of Kshs.34,753,462 and Kshs.2,328,195 for maintenance of equipment and machinery and maintenance of buildings - property is Kshs.34,753,462 and Kshs.2,328,195 respectively.

- i. Review of request for quotation No. KCNP/T/02/BR/01/2020/2021 revealed that the Polytechnic awarded the tender for the proposed construction of baffle reactors and soak pits to a construction company at a contract sum of Kshs.5,115,651 for a period of 12 months starting from the 15 September,2021. However, the following observations were made;
- ii. The contract sum was above the procurement threshold in the second schedule of the Public Procurement and Asset Disposal Act, 2015.

194. An amount of Kshs.3,692,193 was paid during the year under review but the certificate of measured works was not provided for audit review.

195. In the circumstances, the Polytechnic did not get value for money totaling Kshs. 3,692,193 for the year ended 30 June 2022.

### ***Management Response***

196. The management submitted that certificate of measured works was provided by the County Public Works Office as they were the project managers. So, the enclosed are certificate for payment prepared by public works engineers, measured work and site instructions Marked CBRSP-2021/2022.

### ***Committee Observations***

197. The Committee observed that:

- i. certificate of measured works was availed for audit verification. However, and the status of the project had not been disclosed, thereby preventing an assessment of value for money.
- ii. the management was in breach of the procurement laws as provided for in Section 85 of the PPAD CAP 412C and Regulation 106(5) of the Public Procurement and Asset Disposal Regulations.

### ***Committee Recommendations***

198. The Committee reprimands the Accounting Officer for failure to comply with the Section 85 of the PPAD CAP 412C 106(5) of the Public Procurement and Asset Disposal Regulations and second schedule of the PPADA Regulations, 2020.

#### **4.1.7 Mentored Institutions Projects/Works-Kilifi North Technical Vacation College**

199. The statement of financial position and as disclosed in Note 22 to the financial statement reflects an amount of Kshs.375,391,118 in respect of Mentored Institutions Projects/Works.

200. The amount includes Kshs.22,763,353 payments to a company for the erection of twin workshops, classrooms and office blocks for Kilifi North Technical Vocation College which is mentored by the Polytechnic. However, the report of the inspection and acceptance committee was not provided for audit review.

201. Further, at the time of the audit inspection of the project, the contractor was not on site, the project stalled and no further request for extension had been made by the contractor.

202. In the circumstances, the institution may not realize value for money for expenditure of amount of Kshs.22,763,353 for the mentor institution.

### ***Management Response***

203. The management submitted that the extension was later issued as per evidence Marked KNTV- 2021/2022. At the moment the project has been completed and fully operational.

### ***Committee Observations***

204. The Committee observed the following:

- i. the extension approval provided is dated 23 May 2023 while the extension was from 8 March 2022; with the additional extension of 74 weeks, the project had been extended by a total of 226 weeks;
- ii. the justification for extension and the updated performance guarantee was not provided;
- iii. evidence for the status of the construction was not provided.

205. Consequently, the Accounting Officer was in breach of Section 139(2)(a) of the PPADA on the extension of contract period.

206. The project was complete and in use. However, the handing over certificate had not been availed for audit verification.

### ***Committee Recommendations***

207. The Committee recommends that the Accounting Officer should submit handing over certificates future extension approvals must be timely and properly aligned with actual commencement dates to avoid retrospective approvals.

#### **4.1.8 Underutilized Driving School Truck**

208. The statements of financial position and as disclosed under Note 20 to the financial statements reflects additions to motor vehicles figure of Kshs.16,660,815, out of which Kshs.3,817,900 was paid to Isuzu East Africa Limited for the purchase of a truck.

209. However, at the time of audit inspection carried out in the month of January, 2023, the truck was still parked, and the Polytechnic had not started offering driving courses, close to one year after delivery.

210. In the circumstances, the Polytechnic has not achieved value for money on the truck purchased at a cost of Kshs.3,817,900 during the year ended 30 June, 2022.

### ***Management Response***

211. The management Submitted that Currently driving school truck is used to train students. Support document containing list of students being trained is Marked DAS-2021/202.

### ***Committee Observations***

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

### **Audited Statements for Financial Year 2022/23 (Qualified Opinion)**

#### **4.1.9 Unconfirmed Balance of Accumulated Surplus**

212. The statement of financial position reflects accumulated surplus of Kshs.258,541,540. However, Note 26 to the financial statements reflects accumulated surplus of Kshs.246,552,868 resulting to an unreconciled variance of Kshs.11,988,672. In the circumstance, the accuracy and completeness of the inventory balance as at 30th June 2022 could not be confirmed.

#### **Management Response**

213. The Management submitted that this has been corrected as per evidence Marked CAS-2022/2023 - 1 to 2.

### ***Committee Observations***

214. The Committee was satisfied with the management response and marked the matter as resolved.

#### **4.1.10 Failure to Handover Completed Projects to Mentored Institutions**

215. The statement of financial position and Note 22 to the financial statements reflects mentored institutions projects/works amounting to Kshs.407,410,192.

216. The amount included assets belonging to duly established institutions.

217. Management had not hand over the projects to the duly the established mentee institutions i.e. Ahmed Shahame Technical Training Institute (TTI), Weru TTI, Lamu West TTI, Kaloleni TTI and Likoni TTI independent institutions with Principals posted and Boards of Governors in place

218. In the circumstances, the accuracy and completeness of the mentored institutions projects/works of Kshs.407,410,192 could not be confirmed. meters of water was not explained.

#### **Management Response**

219. The updated noncurrent–asset register was not availed because the Polytechnic had not received the valuation report from Geoplan by the end of FY 2022/2023, but it has since been updated as per the FY 2023/2024.

### ***Committee Observations***

220. The Committee observes that despite management's assertion that the institutions have been handed over, no evidence of the handing over process, including the relevant dates, was provided.

### ***Committee Recommendation***

221. The Committee recommends that the Accounting Officer institutes robust monitoring mechanisms to ensure that asset registers are updated in real time and that all handovers are properly documented, with the Auditor-General directed to confirm compliance in the next audit cycle.

### **4.1.11 Long Outstanding Receivables**

222. The statement of financial position reflects receivables from exchange transactions balance of Kshs.148,184,243, which include Kshs.84,725,042 in respect of students debtors.

223. One hundred and sixty-four (164) students who had fee balances at the beginning of the year amounting to Kshs.9,107,945 did not make payments in the year under review.

224. 559 students owing Kshs.17,197,144 from the previous years could not be traced in the debtors schedule as at 30 June, 2023.

### **Management Response**

225. The management submitted that all students having fees arrears are captured in the system.

### ***Committee Observations***

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

### **4.1.12 Budget Control and Performance**

227. The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.520,655,000 and Kshs.415,414,243 respectively, resulting to under-collection of Kshs.105,240,757 or 20% of the budget.

228. Polytechnic incurred an expenditure of Kshs.378,030,735 against an approved budget of Kshs.423,707,000 resulting to under expenditure of Kshs.45,676,265 or 11% of the budget.

### ***Management Response***

229. This is due to scaling down expenses based on the generated revenue that is available for spending.

### ***Committee Observations***

230. The Committee observes that this is a recurring issue from previous financial years and reiterates its earlier recommendation. The Committee stresses that persistent recurrence of the same audit queries reflects systemic weaknesses in compliance and accountability and therefore directs that the responsible officers implement the recommendation without delay. Any further recurrence in subsequent audit cycles shall be deemed gross negligence and will attract severe sanctions against the culpable officers.

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

#### **4.1.13 Unresolved Prior Year's Audit Matters**

232. In the audit report of 2021/2022 financial year several audit issues were raised. However, the issues remained unresolved as at 30 June, 2023. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues.

### ***Management Response***

233. The Institution is making efforts in having the issues addressed in line with Section 31 (1)(a) of the Public Audit Act 2015.

### ***Committee Observations***

234. The Committee observes that the Committee had discussed the issues and made recommendations in the prior years

#### **4.1.14 Irregularities in Implementation of Projects in Likoni and Kaloleni Technical Training Institutes**

235. The Polytechnic entered into a contract with a contractor for construction of Likoni Technical Training Institute (TTI) on 13 October, 2015 at contract sum of Kshs.58,043,743 and contract period of 52 weeks and for construction of Kaloleni TTI on 22 October, 2014 at contract sum of Kshs.45,180,230 and contract period of 52 weeks. The Polytechnic entered into a contract with a contractor for construction of Likoni Technical Training Institute (TTI) on 13 October, 2015 at contract sum of Kshs.58,043,743 and contract period of 52 weeks and for construction of Kaloleni TTI on 22 October, 2014 at contract sum of Kshs.45,180,230 and contract period of 52 weeks.

- (i) Review of the projects files indicated that the actual quantities delivered by the contractors varied with the original quantities leading to increase in the project costs of Likoni TTI and Kaloleni TTI by Kshs.11,587,445 and Kshs.11,123,411 respectively.
- (ii) The variations were approved by the Accounting Officer but the State Department did not approve additional funding to cater for the variations.
- (iii) Due to the structural and design variations, the projects were not completed and it was established that Likoni TTI and Kaloleni TTI stalled at 75% and 95% completion level respectively.
- (iv) However, certificates of practical completion as per the works delivered for Likoni TTI and Kaloleni TTI were issued on 29 March, 2019 and 10 April, 2017 respectively and retention monies paid.

### **Management Response**

236. The management submitted that these Institution have so far been completed and at the moment they are operating.

### ***Committee Observations***

237. The Committee observes the projects were completed and in use and the matters was satisfactorily addressed and resolved.

### **4.1.15 Delay in Completion of Kilifi North Technical and Vocational College**

238. The statement of financial position reflects mentored institutions project/works of Kshs.407,410,192 which include Kshs.43,522,561 on works at Kilifi North Technical and Vocational College (TVC).

- (i) The Polytechnic entered into a contract for the completion of twin workshop, classrooms and office block for the 30 September, 2019 at a contract sum of Kshs.59,062,877, contract period of 52 weeks and expected completion date 9 March, 2021.
- (ii) The contract period had been extended to 8 January, 2024 i.e., by 152 weeks.
- (iii) As at the time of audit in February, 2024, the project was not complete.
- (iv) There were no evidence of further extensions and the performance bond guarantee issued had expired on 27 July, 2022.

### **Management Response**

239. The extension was later issued as per evidence Marked KNTV- 2021/2022. At the moment the project has been completed and fully operational.

### ***Committee Observations***

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

## **Audited Statements for Financial Year 2023/24 (Qualified Opinion)**

### **4.1.16 Unsupported Cash and Cash Equivalent Balance**

241. The statement of financial position and Note 17 to the financial statements reflects cash and cash equivalents balance of Kshs.421,776,024.

242. The bank reconciliation statement for the Main account shows unrepresented cheques totalling Kshs.1,568,547 and uncredited and delayed banking of Kshs.9,680,807 which were not supported with schedules showing transaction dates when the cheques cleared.

243. The details of direct banking totalling Kshs.1,832,549 in the college fund account and Kshs.3,444,936 in the production unit account were not supported with a schedule showing transaction dates in the bank reconciliation statement.

### **Management Response**

244. The Cash and cash equivalent balance have been supported as indicated below:

- (i) A/C 1 Kshs.1,568,547- These cheques were cleared on dates shown in the reconciliation Marked CLD-2023/2024
- (ii) A/C 1 Kshs.9,680,807 - The schedule for this is Marked UNCB-2023/2024
- (iii) A/C 2 Kshs.1,832,549 - The schedule for this is Marked DRBC- 2023/2024
- (iv) A/C 3 Kshs.3,444,936 - The schedule for this is Marked DRBP-2023/2024

### ***Committee Observations***

245. The Committee observed that the dates of clearance of the unrepresented cheques were not supported with bank statements, thereby undermining the accuracy of financial reporting.

### ***Committee Recommendations***

246. The Committee recommends that management ensure all relevant supporting documents, including bank statements and reconciliations, are submitted for audit verification during

the audit exercise to guarantee accuracy, transparency, and accountability in financial reporting.

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

247. The statement of financial position and Note 18 to the financial statements reflects receivables from exchange transactions balance of Kshs.173,319,581. Included in the balance are receivables totalling Kshs.112,525,226 which have remained outstanding for a duration of more than one year casting doubt on the recoverability of the amount.

##### **Management Response**

248. The long outstanding receivables is composed of students' outstanding fees, Mombasa County Government and Institutions which were being mentored by KCNP.

249. For continued students, clear fees before they proceed to the following terms while students who completed clear fees at the time they collect their academic documents.

250. Follow up is down with the County Government of Mombasa to clear the debt.

##### **Committee Observations**

251. The Committee observed that management has outlined steps taken to recover the amounts but emphasizes that receivables of such magnitude require stricter enforcement.

##### **Committee Recommendation**

252. The Committee recommends that management should ensure fees are collected in strict adherence to the institution's manuals, supported by verifiable documentation, and that periodic reports on recovery efforts be submitted for audit verification to safeguard financial integrity and accountability.

#### **4.1.18 Budget Control and Performance**

253. The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.556,239,000 and Kshs.482,963,479 respectively, resulting to under collection of Kshs.73,275,521 or 13% of the budget. Similarly, Management spent Kshs.393,905,669 against the budgeted expenditure of Kshs.562,371,000 resulting in an under-expenditure by Kshs.168,465,331 or 30% of the budget.

##### **Management Response**

254. This is due to scaling down expenses based on the generated revenue that is available for spending.

### ***Committee Observations***

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

#### **4.1.19 Unresolved Prior Year's Audit Matters**

256. In the audit report for the previous financial year, several issues were raised in respect of the Report on the Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has reported that some of the issues have not been resolved, no evidence was provided to show steps taken by Management to resolve the prior year's audit matters.

### **Management Response**

257. The Institution is making efforts in having the issues addressed in line with Section 31 (1)(a) of the Public Audit Act 2015.

### ***Committee Observations***

258. The Committee observes that the Committee had discussed the issues and made recommendations in the prior years

#### **4.1.20 Irregular Payment of Sitting Allowance**

259. The statement of financial performance and Note 15 to the financial statements reflects operating expenses amounting to Kshs.77,496,283. Included in this amount is Kshs.821,000 and Kshs.12,841,448 incurred on internal committee allowances and contingencies expenses respectively.

260. Payments totalling Kshs.2,037,500 were towards internal committees i.e., sitting allowances for ad hoc tender and recruitment committees which were done within the institution's premises.

### **Management Response**

261. These allowances are no longer being paid and that the institution has since adhered to the Salaries and Remuneration Commission policy, with payments stopped in the second quarter of the FY 2024/2025.

### ***Committee Observations***

262. The Committee observed that the Payments totalling Kshs.2,037,500 were towards internal committees i.e., sitting allowances for ad hoc tender and recruitment committees were irregular.

### ***Committee Recommendations***

263. The Committee recommends that the Accounting Officer recovers the Ksh2,037,500 irregularly paid as allowances.

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

### **4.1.21 Variance Between Approved Budget Amount and the Financial Statements**

264. The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.640,506,500. However, review of the approved budget by the State Department for Technical and Vocational Education and Training revealed an approved budget of Kshs.429,044,922 resulting in a variance of Kshs.211,461,578.

### **Management Response**

265. The polytechnic revenue budget is based on the student's population at a rate of fees charged per student per year. Other incomes from income generated activities also form part of revenue commonly known as A in A. The approved A in A budget from GMIS as per evidence Marked ADB-2024/2025 is Kshs.640,506,500, that is Ministry of Education platform for submission and approval of budget. Going by the letter for approval that approved Kshs.429,044,922 was dated 9th July 2025 and was received on 25 July, 2025 after the elapse of the financial year under audit. The letter is Marked PSL-2024/2025.

### ***Committee Observations***

266. The Committee observes that the approved budget of Kshs.429,044,922 was received prior to the preparation of the financial statements. However, the polytechnic incurred expenditure amounting to Kshs.529,002,523, which exceeded the approved budget by Kshs.99,957,601. This variance indicates non-adherence to budgetary limits and weak expenditure controls.

### ***Committee Recommendations***

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

### **4.1.22 Unsupported Property, Plant and Equipment Balance**

268. The statement of financial position reflects property, plant and equipment balance of Kshs.1,835,492,790 as disclosed in Note 20 to the financial statements. The balance

includes Kshs.968,070,000 in respect of land which was not supported by land ownership documents for the main campus in Kisauni Road, and Tononoka Mombasa.

### **Management Response**

269. The management submitted that Kenya Coast National Polytechnic has land ownership documents. The evidence Marked KLTD-2024/2025, WELTD-2024/2025, SLTD-2024/2025 and ILCR-2024/2025-for court ruling ownership awaiting for title deed issuance enclosed.

### ***Committee Observations***

270. The Committee observes that the institution is yet to acquire land ownership documents for the main campus in Kisauni Road, and Tononoka Mombasa.

### ***Committee Recommendations***

271. The Committee recommends that the Accounting Officer should follow up with the Ministry of Land and the National Lands Commission and initiate all necessary steps to secure the land title deed pursuant to the court decree of 14 March 2022. The institution should furnish the OAG with evidence of progress within three (3) months of adoption of this report by the House.

#### **4.1.23 Unresolved Prior Year Matters**

272. In the prior year's audit report, three issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources. These include unsupported cash and cash equivalents balance, long outstanding receivables from exchange transactions and irregular payment of sitting allowances. Review of the status during audit of the Polytechnic in 2024/2025 revealed that the matters remained unresolved.

### **Management Response**

273. The management indicates that efforts are underway to ensure the issues are addressed.

### ***Committee Observations***

274. The Committee observes that the issue has recurred across previous financial years, constituting a breach of Section 31(1)(a) of the Public Audit Act, 2015, which requires timely and effective resolution of audit queries. This persistence reflects inadequate corrective action and weak institutional accountability.

275. The Committee further observes that the Committee had discussed the issues and made recommendations in the prior years

#### **4.1.24 Unapproved Fees**

276. Review of the fees structure for certificate and diploma courses provided revealed that both levels were charged Kshs.71,689 and Kshs.70,289 in year one (1) and two (2) respectively for diploma courses.
277. The charges were above the recommended Kshs.68,589 and Kshs.65,789 by the State Department for year one and two resulting in extra charge of Kshs.3,100 and Kshs.4,500 respectively

#### **Management Response**

278. Fees charged is in line with the guideline issued by the state department and any charge that is above is approved by the Council and these consist of Registration Kshs.200, Students T-shirts Kshs.700, Students Identity card Kshs.500, Students Council fund Kshs.600 and Kshs.2,500 for Admission and quality assurance.

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

279. The Committee observes that the fees charged by the polytechnic are above the approved rates set by the Ministry, contrary to the State Department for Technical Vocational Education and Training circular Ref: No.5/2023 on new fee structures for TVET institutions dated 1 September 2023. This practice amounts to non-compliance with ministerial directives and imposes an undue financial burden on students.

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

280. The Committee recommends that the polytechnic immediately align its fee structure with the approved charges stipulated in Circular Ref: No.5/2023. The institution should refund or credit any excess fees collected to affected students and submit evidence of compliance to the Committee within one (1) month of adoption of this report by the House. The Ministry of Education is further directed to strengthen oversight and ensure that no institution deviates from the approved fee structures, with sanctions applied in cases of continued breach.

## **5.0 THE KISUMU NATIONAL POLYTECHNIC**

281. Ms. Catherine Kelonye, the Chief Principal, accompanied by;

- i. Mr. Paul Maher- Finance Officer
- ii. Mr. Newton Omollo- Procurement Officer
- iii. Ms. Beatrice Oduor- Human Resource Officer
- iv. Barrack Oluoch – Internal Auditor

282. Appeared before the Committee to adduce evidence on the audited accounts of The Kisumu National Polytechnic on 2<sup>nd</sup> April 2025.

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

#### **5.1.1 Inaccuracies in the Financial Statements**

283. The financial statements include errors and inconsistencies as detailed below; the statement of financial position and as disclosed in Note 22 to the financial statements, reflects cash and cash equivalents balance of Kshs.132,335,852. However, the bank reconciliation statements reflected unrepresented and stale cheques amounting to Kshs.17,040,736. No reason was given for the failure to replace or reverse them in the cash book.

284. Further, the bank reconciliation statements reflected unidentified and unexplained credits in the bank statements not recorded in the cash book, amounting to Kshs.5,732,966.

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

285. The Management submitted that;

##### **i. On Unrepresented and Stale Cheques – Kshs. 17,040,73**

286. The bank reconciliation statements reflected unrepresented cheques totaling Kshs. 17,040,736 as at the reporting date. Management wishes to clarify that these cheques were valid and had not reached the stale period by the time of the audit. A detailed schedule of the unrepresented cheques, their respective payees, cheque numbers, amounts, and subsequent clearance dates has been prepared and was subsequently presented and cleared by June 2022.

##### **i. On Unidentified and Unexplained Credits – Kshs. 5,732,966**

287. The unexplained credits reflected in the bank reconciliation statements primarily arose from direct bank deposits made by students, sponsors, and guardians towards tuition and related fees. These amounts were not immediately posted in the cash book due to the institution's policy which requires presentation of banking slips or deposit evidence before receipting and posting in the ERP system.

288. Management has since reconciled these transactions and has provided a detailed schedule showing:

- i. Date of bank deposit
- ii. Amount deposited
- iii. Date of receipt issuance
- iv. Student/sponsor identification

289. The corresponding bank statements are also attached to support the posting and clearance of these transactions.

290. The statement of cash flows reflects an increase in long-term receivables amount of Kshs.6,837,452. However, the change in long-term receivables amounted to Kshs. 18,620,314. Management has not explained how the amount of Kshs.6,837,452 was arrived at.

### ***Management Response***

291. Upon review, Management confirms that the variance arose due to a misstatement in the initial preparation of the statement of cash flows for the year under review. This discrepancy was identified during the audit process, and a corrected version of the statement of cash flows was prepared and submitted to the Office of the Auditor-General for consideration.

292. However, the final audit report retained the initial version of the financial statements without incorporating the amended statement of cash flows. Management has since rectified the error by correctly reflecting the movement in long-term receivables in the comparative figures presented in the Financial Statements for the year ended 30th June 2023.

- i. The statement of financial position reflects property, plant and equipment balance of Kshs.2,504,966,629. However, the referred Note is Note 29 instead of the actual disclosure Note 31 to the financial statements.
- ii. The statement of financial position reflects Kshs. 161,991,755 in respect of refundable deposits from customers and students and refers to Note 26, which relates to trade and other payables from exchange transactions.
- iii. The statement of financial position reflects current provisions of Kshs.42,043,417 and refers to Note 28, which relates to amounts held for third parties, instead on the relevant disclosure Note 29.

### ***Management Response***

293. The inconsistency noted resulted from a referencing oversight during the preparation of the financial statements. Upon identifying this error during the audit process, Management took corrective action and prepared an amended version of the financial statements with the correct note reference.
294. The corrected version was duly submitted to the Office of the Auditor-General for consideration. However, the final audit report issued retained the initial financial statements with the referencing error.
295. For clarity and transparency, Management has since rectified this oversight and the correct note reference has been reflected in the comparative figures disclosed in the Financial Statements for the year ended 30th June 2023.
296. The corrected version of the note reference and the relevant section of the financial statements were provided for reference.
- i. The statement of financial position reflects Kshs.84,143,323 in respect of receivables from exchange transactions which varies with the amount reflected in the disclosure Note 23 balance of Kshs.151,668,615.
297. In the circumstances, the accuracy of financial statements could not be confirmed.

### ***Management Response***

298. The difference noted arose from a misinterpretation of the composition of the receivables balance. Specifically, the amount of Kshs. 84,143,323 disclosed in the Statement of Financial Position under Note 23(a) relates to current receivables from exchange transactions. Additionally, a further amount of Kshs. 31,904,577 disclosed under Note 23(b) relates to long-term receivables from exchange transactions.
299. Therefore, the total balance under Note 23 of Kshs. 116,047,900 comprises both current and non-current receivables. The additional difference in the Note figure of Kshs. 151,668,615 was a result of inclusion of other receivable components, which were subsequently reviewed and corrected in the subsequent financial year's financial statements.
300. For clarity and audit trail purposes, a copy of the corrected Statement of Financial Position and the detailed reconciliation of receivables was provided.

### ***Committee observations***

301. The Committee observed that;
- i. Management provided the schedule of reconciling items Kshs.17,040,736 on unrepresented cheques of KCB Account 1103855980 and 1103855905 and respective

bank statements in the month of July 2022. The cheques are now cleared.

- ii. Management carried out reconciliation of the receivables in the financial year ended 30 June 2023 with Note 26 to the financial statements detailing cash generated from operations.
- iii. On PPE, refundable deposits and current provisions, the errors were adjusted in the subsequent financial year.
- iv. The statement of financial performance and Note 23 correctly reflect Kshs 84,143,323 and Kss.31,904,577 in respect of current and long-term receivables, respectively.

302. The matter had been addressed.

### **5.1.2 Unsupported Adjustments in the Statement of Changes in Net Assets**

303. The statement of changes in net assets reflects a deficit balance of Kshs.407,465,414 in retained earnings. However, the balance includes unsupported adjustments on inventories and reversal of adjustments in the prior year of Kshs.3,399,396 and Kshs.46,969,428 respectively. In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

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

304. The adjustment of Kshs. 3,399,396 relates to the transfer of the opening balance of inventories to retained earnings following a policy change by the institution. Upon review of its financial and accounting policies, The Kisumu National Polytechnic (TKNP) adopted a revised policy whereby inventories are fully expensed in the year of purchase, recognizing that they consist primarily of consumables used in day-to-day learning activities. This adjustment was therefore effected as a prior year adjustment in compliance with the revised policy. A record of inventories continues to be maintained internally to support departmental issuance and guide procurement planning.
305. The adjustment of Kshs. 46,969,428 relates to receipt cancellations and adjustments in respect of student debtors from prior years. Specifically, this comprised the reversal of Kshs. 40,553,366 in the financial year 2020/2021 and an additional Kshs. 6,416,062 arising from cancelling erroneous receipts in the financial year 2021/2022. These adjustments were duly reviewed and approved to ensure the accuracy of receivable balances and compliance with International Public Sector Accounting Standards (IPSAS).

#### ***Committee observation***

306. The Committee observed that;

- i. The inventory balance for the prior year was Kshs.3,399,398. During the audit, it was noted the items were expenses in nature, thus a need to adjust the financial records. The adjustment of Kshs.3,399,396 is thus correctly done and issue considered addressed.
- ii. The Management had provided a general ledger on liability which explained the students who were captured in the system but did not report. The ledger reflects a net liability balance of Kshs.6,416,062. The reversal of Kshs.40,553,366 is not clearly explained.

***Committee Recommendations***

307. The Committee recommends that the Management must configure the system to capture actual positions and regular reconciliations should be carried out as a corrective measure.

**5.1.3 Unsupported Variances between the Statement of Financial Position and Supporting Ledgers**

308. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.89,496,662 which, as disclosed in Note 26 to the financial statements, includes Kshs.80,117,002 in respect of fees prepayments. However, the amount differs with the ledger balance of Kshs.80,436,917 resulting to unreconciled and unexplained variance of Kshs.319,915. Further, the trade and other payables balance of Kshs.89,496,662 includes a negative balance of Kshs.32,639 relating to Kenya Nutritionists & Dieticians Institute (KNDI) Registration. The payable was offset against trade payables contrary to paragraph 48 of International Public Sector Accounting Standards (IPSAS)1 which states that assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.

309. In the circumstances, the accuracy of the trade and other payables from exchange transactions balance of Kshs.89, 496,662 could not be confirmed.

***Management Response***

310. The Financial statement balance of Kes 80,117,002 consist of three different ledgers as follows;

Fee prepayments	80,436,917
Prepaid fee expense	(319,950)
Customer prepayments	35
Financial statement balance	<b>80,117,002</b>

311. KNNDI registration is an amount charged to students taking Nutrition and Dietetics charged as a liability and paid from the liability account.

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

312. The Committee observed that the Management had provided the two ledgers on prepaid fee expense and customer repayments of Kshs.319,950 and Kshs.35 respectively, thus the matter was adequately addressed.

#### **5.1.4 Unsupported Domestic and Subsistence Expenditure**

313. The statement of financial performance reflects Kshs.58,269,794 in respect of general expenses which, as disclosed in Note 21 to the financial statements includes Kshs.6,088,581 incurred on domestic travel and subsistence out of which an expenditure of Kshs.1,642,000 and Kshs.372,570 was in respect of per diems and provision of air tickets respectively by a travel firm to Ministry of Education Officials, Council Members and Polytechnic staff. However, the expenses were not supported with Management approval, deliverables or activity reports and attendance registers.

314. In the circumstances, the completeness of domestic travel and subsistence allowance expenditure totaling to Kshs.2,014,570 could not be confirmed.

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

315. The cited expenditure was incurred in relation to SIFA Project resource mobilization meetings held between The Kisumu National Polytechnic (TKNP), the Ministry of Education officials, Council members, and Polytechnic Management. These meetings were necessary to facilitate engagement and joint planning for implementing the SIFA Project, a collaborative initiative between TKNP and the Ministry of Education.

316. The relevant documentation in support of this expenditure was prepared and is available, including:

- i. Invitation letters
- ii. Concept note detailing the purpose and objectives of the meeting
- iii. Management approval of the activity
- iv. List of participants
- v. Boarding passes
- vi. Local Service Order (LSO) for procurement of air tickets
- vii. Activity report

### ***Committee observations***

317. The committee observed that the Management had provided the following documentation to support the expenditure:
- i. Payment voucher no. TKNP/PV7490 of Kshs.372,570 approved by the Chief Principal on 17 September 2021 were provided. Attendance registers in the month of September 2021 were also attached and verified.
  - ii. Management also attached for verification a Concept Note on the proposed training.
318. Consequently, the matter was adequately addressed.

### **5.1.5 Unsupported additions in Property, Plant and Equipment**

319. The statement of financial position and as disclosed in Note 31 to the financial statements reflects property, plant and equipment of Kshs.2,504,966,629 which includes additions to buildings amounting to Kshs.191,766,953. However, the additions relate to transfers from capital work in progress report in the financial statements from the previous year and which were not supported by a detailed schedule of the transferred items.
320. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.191,766,953 in respect of transfers from work in progress could not be confirmed.

### ***Management Response***

321. The amount Kes 191,766,953 relates to a transfer of completed buildings from work in progress to the buildings account. Certificates for completion were provided.

### ***Committee observations***

322. The Committee observed that the Management had provided schedule of payments made, payment vouchers and the contract agreements. The records support the construction of the library and Rarieda TVC. Consequently, the matter was addressed.

### **4.1.1 Unsupported Refundable Deposits to Students**

323. The statement of financial position and Note 27 to the financial statements reflects refundable deposits from customers and students amounting to Kshs.161,991,755, which includes miscellaneous receipts of Kshs.19,199,146, Examination Fees of Kshs.90,504,455 and Students Union dues of Kshs.13,666,900 whose details of, who is owed and when the service/payments rendered, were not provided for audit verification.
324. In the circumstances, the accuracy and completeness of refundable deposits of Kshs.161,991,755 could not be confirmed.

### ***Management Response***

325. The balance under Miscellaneous Receipts relates to unclassified amounts that were carried forward during the migration from the institution's previous ERP system to the Abnusol ERP system. These amounts were temporarily held in a clearance account pending detailed analysis and classification in line with the Polytechnic's financial policies and procedures.
326. Management has been reviewing and reconciling these balances and has prepared a paper to the Governing Council seeking approval to transfer the longstanding unclassified balance to Retained Earnings. This recommendation is aligned with IPSAS financial reporting standards and best accounting practices, considering that the funds have remained unclaimed and static for more than three (3) financial years.
327. The balance under Examination Fees relates to amounts collected from students for external examination bodies. This is a liability that fluctuates periodically based on student enrolment and invoicing. Payments are made to the respective examination bodies upon confirmation of candidates and registration.
328. The amount relating to Students Union Dues represents statutory deductions collected on behalf of the Students Union, which are payable as per the Polytechnic's policies.

### ***Committee observations***

329. The Committee observed that the management had provided ledgers and schedules for miscellaneous income and examination fees, however, there is a need for fast tracking on the implementation of recommendations to the governing council on adjusting these balances.

#### **5.1.6 Budgetary Control and Performance**

330. The statement of comparison of budget and actual amounts reflects final budgeted transfers from the National Government of Kshs.280,000,000 against actual receipts of Kshs.213,652,500, resulting in an underfunding of Kshs.66,347,500, or 23.7% of the budget.
331. Similarly, the statement reflects a total expenditure budget of Kshs.546,000,000 against an actual budget of Kshs.448,459,814, resulting in an under absorption of Kshs.97,540,186, or 17.8 percent.
332. The underfunding and under-expenditure affected the planned activities and may have negatively impacted the delivery of services to the intended recipients.

### ***Management Response***

333. As at 30th June 2022 the National government, through state department of Vocational technical Training had not disbursed approximately 71M capitation meant for quarter four.
334. Compensation of employees – During the year 2021/2022 the staff were to be placed under medical cover however due to procurement procedures the medical cover was effected in the year 2022/2023. This resulted in under absorption under employee costs.
335. Contracted services - The Institution employed services of the State Counsel to handle all the legal cases.
336. Administration and General Expenses - Austerity measures have been put in place by management to monitor costs relating to administration and general expenses.

### ***Committee Observation***

337. The Committee observed that the query arose due to non- disbursement of funds from the exchequer which affected the implementation of planned projects.

### ***Committee Recommendation***

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

#### **5.1.7 Irregular Procurement of Cabro Paving and Drainage System**

340. The statement of financial performance reflects Kshs.87,032,722 in respect to repairs and maintenance which, as disclosed in Note 19 to the financial statements includes Kshs.55,767,591 in respect to development expenses which includes Kshs.26,197,397 paid to various contractors in respect of cabro paving within the Polytechnic. However, analysis of the tenders revealed that similar works amounting to Kshs.8,885,342 were sourced through different quotations and a further award of contracts to two firms for cabro works and drainage systems within the Polytechnic amounting to Kshs.7,383,071.further, Date Although Management explained that they had invoked Regulation 154 of the Public Procurement and Asset Disposal Regulations, 2020, which states ‘that a procuring entity may for the purpose of ensuring maximum participation of citizen contractors, disadvantaged groups, small, micro and medium enterprises in public procurement, unbundle a category of goods, works and services in practicable quantities’, the Access to

Government Procurement Opportunities (AGPO) certificates to confirm the actual status of the firms had not been provided for audit review.

341. In the circumstances, the propriety of the expenditure of Kshs.16,268,413 incurred on the contracts could not be confirmed.

### ***Management Response***

342. The contracts in question were awarded to two firms, namely Gidly Enterprises and Kombiro Building Company Limited, both of which are registered Citizen Contractors under the Small and Medium Enterprises (SME) category. The two firms were prequalified under the Small Works Category in line with the Polytechnic's approved procurement plan and supplier prequalification framework.
343. Further, the Polytechnic applied the provisions of Regulation 154 of the Public Procurement and Asset Disposal Regulations, 2020, which allows procuring entities to unbundle works, goods, and services into practicable quantities to promote maximum participation of citizen contractors, disadvantaged groups, small, micro and medium enterprises (SMEs) in public procurement.

### ***Committee Observation***

344. The Committee observed that the Management had provided access the Management provided Access to Government Procurement Opportunities (AGPO) certificates for three firms. The firm awarded a tender for Cabro works around the welding workshop, mechanical, automotive and building phase 4 at Kshs.4,682,150 (Kombiro) has been supported and justified. Consequently, the matter is addressed.

#### **5.1.8 Non-Provision for Retention Fees**

345. The statement of financial position reflects current provisions of Kshs.42,043,417 which, as disclosed in Note 29 and 30(a) and (b) to the financial statements, includes Kshs.8,427,557 in respect to retention monies held on behalf of a contractor for the construction of a multipurpose hall. Information provided by Management indicated that the project was completed in 2018 and that the provision relates to a dispute with the contractor over pending works which had not been recorded in the books of the Polytechnic. However, no satisfactory explanation was provided for failure to deduct Kshs.8,427,557 in respect of retention fees and deposit it in a separate and specific bank account.
346. This was contrary to Regulation 139 of the Public Procurement and Asset Disposal Regulations, 2020, which states that a contractor shall satisfactorily perform its contractual obligations prior to any payment by a procuring entity and that a procuring entity shall make prompt and timely payments to a contractor that meets its contractual obligations.

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

***Management Response***

348. The amount of Kshs.8,427,557 relates to an outstanding provision arising from a contractual agreement with the contractor concerning pending works for the multipurpose hall.

349. While the project was practically completed in 2018, the contractor raised a dispute over certain works, which was disclosed in the pending legal issues section of the Polytechnic's prior-year financial reports. However, the corresponding liability was not previously recorded in the institution's books.

350. The matter was subsequently deliberated and resolved during a Council Meeting. It was agreed to recognize the liability in the financial year 2021/2022 and settle the same in the financial year 2022/2023. The decision was duly documented and approved by the Council.

***Management Response***

351. The FY 2021/2022 financial statements included a provision for the outstanding amount as a prior-period adjustment. The payment was effected in FY 2022/2023 upon dispute resolution.

352. Supporting documents, including Council minutes approving the provision, the contractual agreement, and the Certificate of Practical Completion, have been provided for audit verification.

353. Additionally, the Polytechnic has since operationalized a dedicated Retention Account in compliance with Regulation 139 of the Public Procurement and Asset Disposal Regulations, 2020, to ensure proper management of retention monies going forward.

***Committee observation***

354. The Committee observed that the Management had attached the council minutes of 13<sup>th</sup> July, 2022, which approved a provision of Kshs.8.4 million on retention fees. Further, in the subsequent audits, it was confirmed that the institution had operationalized a Retention Monies bank account at the ABSA Bank. The entity, Vaghjiyani Enterprises Ltd, had since been paid in full, as per the advocate's letter dated 9 January 2023. Consequently, the matter had been addressed.

**5.1.9 Non-Compliance with the Law on Ethnic Composition**

355. During the year under review, the total number of employees in the Polytechnic was two hundred and sixty (260) out of which one hundred and sixty-four (164) or 63% were members of the dominant ethnic community in the county. This was 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.

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

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

357. The Management stated that it purposed to rectify the issue over a period of three years guided by the recommendations of the annual reports of Values and Principles Compliance Evaluation Report findings for the FY 2022/2023 and FY 2023/2024.

#### ***Committee observation***

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

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

359. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments within 2 years upon adoption of this report.

360. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

#### **5.1.10 Long Outstanding Imprests**

361. The statement of financial position reflects Kshs.84,143,323 in respect to receivables from exchange transactions which, as disclosed in Note 23a to the financial statements includes outstanding staff imprests totaling to Kshs.771,869 which had not been surrendered at the end of the financial year. This was contrary to regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

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

### ***Management Response***

363. Management acknowledges the Office of the Auditor-General's observation regarding outstanding staff expenses amounting to Kshs.771,869, as disclosed under Note 23(a) to the financial statements.

#### **i. Student-Related Imprests:**

364. Part of the outstanding imprests related to medical emergencies and other essential expenses incurred on behalf of students. The respective amounts were subsequently recovered by charging the students' fee accounts. Sample student fee statements evidencing the recoveries have been provided.

#### **i. Staff Imprest Surrenders:**

365. A significant portion of the imprests had been issued to staff towards the end of the financial year. These imprests were subsequently accounted for and surrendered in the following financial year. Documentation on the surrender of imprests has been provided for audit verification.

#### **i. Staff Exits – Write-Offs**

366. A portion of the outstanding imprests related to staff who retired, passed away, or exited the service without clearing their imprests. Management prepared and submitted a Council Paper seeking approval for the write-off of these balances in line with the institution's financial policies. The approved Council resolution has been provided.

### ***Committee observation***

367. The Committee observed that the outstanding imprest had been cleared as evidenced in subsequent financial years. The council approved the write-off of imprests of Kshs. 286,000. Consequently, the matter had been adequately addressed.

#### **5.1.11 Lack of Annual Recruitment Plan**

368. During the year under review, the Polytechnic recruited twelve (12) new members of staff. However, no annual recruitment plan and approval by the Council were provided for audit to support the recruitment. Further, minutes from the Human Resource, ICT and Resource Mobilization Committee were not provided for audit review.

369. In the circumstances, the propriety of the selection and recruitment process as required by Section 2.9.2 of the Kisumu National Polytechnic Human Resource Policies and Procedures Manual, 2019 could not be confirmed.

### ***Management Response***

370. It is true that the approved Annual recruitment plan and minutes of the Human Resource, ICT and Resource Mobilization Committee were not provided at the time of the audit. This omission was noted and the required documents have since been retrieved and presented in compliance with the guidelines of TKNP policies and procedures manual.

### ***Committee observation***

371. The Committee observed that the Management had provided the Council minutes on the annual recruitment plan. Consequently, the matter had been addressed.

#### **5.1.12 Staff Under-Establishment**

372. Examination of payroll records revealed that the Polytechnic had an approved staff establishment of one thousand and thirty-nine (1039) staff, comprising of six hundred ninety-four (694) posts for Curriculum Based Establishment and three hundred forty-five (345) posts for non-teaching staff establishment.

373. However, the Polytechnic had a total of two hundred sixty (260) staff in post comprising of one hundred sixty-one (161) technical staff and ninety-nine (99) non-teaching staff resulting in an overall under establishment of seven hundred seventy-nine (779) or 75.6%.

374. Failure to recruit or retain the required number of staff may result in poor service delivery and may negatively impact on the realization of the Polytechnic's goals.

### ***Management Response***

375. Management acknowledges the Office of the Auditor-General's observation regarding Staff Under-Establishment at the time of audit for the FY 2021/2022.

376. Management noted that the projected staff establishment at the time of the audit was overrated. The staff establishment has since been revised to 508 staff commensurate with the current enrolment of the institution and aligned to TKNP Strategic plan for FY 2023/2027. The establishment of 508 includes 412 technical staff and 96 non-technical staff.

### ***Committee observation***

377. The Committee observed that the staff establishment had been revised to 508, demonstrating progress in covering the staff under-establishment. Consequently, the matter is addressed.

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

### **5.2.1 Unsupported Cash and Cash Equivalents**

378. The statement of financial position and as disclosed in Note 18 to the financial statements reflects a cash and cash equivalents balance of Kshs.46,281 ,061.
379. However, review of the Kenya Commercial Bank main account bank reconciliation statement revealed unidentified transactions in the bank statement not in the cash book amounting to Kshs.159,953. Further, the bank reconciliation statement for the Cooperative Bank account reflected unidentified transactions totaling Kshs.54,090. The nature of these transactions and reasons for not posting them to the cash books was not provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.46,281,061 could not be confirmed.

### ***Management Response***

#### **i. Nature of Unidentified Transactions**

380. Management acknowledges the observation regarding unidentified transactions recorded in the institution's bank statements. These transactions primarily arose from direct debit deposits and electronic funds transfers made by prospective students at the time of application before the issuance of their official registration numbers. The institution's Enterprise Resource Planning (ERP) system is configured to recognize and allocate transactions only against registered student accounts, leading to a temporary delay in posting these receipts.

#### **ii. Resolution of the Issue:**

381. Since then, the institution has conducted a thorough reconciliation exercise and successfully identified and matched all direct debits and electronic transfers from both bank accounts to the respective students. The transactions have now been correctly posted and updated in the financial records.
382. To mitigate a recurrence, the institution has adopted a policy of immediately recognizing such transactions upon confirmation of student enrolment and assignment of registration number.

### ***Committee Observation***

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

### **5.2.2 Long Outstanding Student Debtors**

384. The statement of financial position and as disclosed in Note 19 to the financial statements reflects current receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.258,379,054 and Kshs.39,844,915 respectively. However, review of aging analysis revealed a balance of Kshs.54,271,688 relating to student debtors which had been outstanding for more than one year. In the circumstances, the completeness and recoverability of student debtors balance of Kshs.54,271,688 could not be confirmed.

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

385. Students are entitled to Kshs. 30,000 per year in capitation. However, during the audit period, only Kshs. 12,000 was disbursed, resulting in increased outstanding balances. The Polytechnic has formally engaged with the Ministry to seek full disbursement. Pending capitation has been categorised as pending bills, with a projected reduction upon full release. The institution actively supports students in securing alternative funding (e.g., HELB loans, bursaries, scholarships). If required, a provision for doubtful debts will be applied in line with IPSAS financial reporting standards.

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

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

### **5.2.3 Budgetary Control and Performance**

387. The statement of comparison between the budget and actual amounts reflects approved revenue budget of Kshs.673,237,840 and actual amounts realized of Kshs.605,489,014 resulting to an under-collection of Kshs.67,748,826 or 10o/o of the budget.

388. Similarly, the Polytechnic spent Kshs.438,255,180 out of the approved budget of Kshs.598,032,850 resulting to an under expenditure of Kshs.159,777,670 or 27Yo of the approved budget. The under-funding and under-expenditure may have impacted negatively on delivery of services to the public.

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

389. Management stated that the revenue Variance Within Acceptable Limits: The 10% revenue variance aligns with IPSAS 24.14, which allows for deviations up to 10%.

390. Expenditure Variance Due to Accrual Accounting: The 27% under-expenditure is attributed to adherence to accrual accounting, where certain capitation and student fee revenues were

not received within the financial year. Expenditure was adjusted to align with actual receipts, thereby ensuring financial sustainability.

391. Government-Imposed Budgetary Controls: The government enforced restrictions on spending on repairs, maintenance, and administrative costs, leading to under utilisation of funds. For fiscal prudence, some non-essential expenses were postponed to future financial periods.

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

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

#### **5.2.4 Non-Compliance to Procurement Procedures**

393. Review of documents revealed that the Polytechnic incurred an amount of Kshs.6,539,457 under catering expenses out of which an amount of Kshs.1,123,840 related to supply and delivery of foodstuffs. However, review of procurement documents revealed that request for quotation procurement method was used but bids for only one firm were evaluated and the firm awarded the contracts. This was contrary to Section 106 (2) (d) of the Public Procurement and Asset Disposal Act, 2015 which requires evaluation to be carried out on at least three (3) quotations.

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

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

395. Management acknowledges the Office of the Auditor-General's observation regarding the procurement of foodstuffs amounting to Kshs. 1,123,840, which was awarded based on a single bid, contrary to the provisions of Section 106(2)(d) of the Public Procurement and Asset Disposal Act, 2015, which requires at least three quotations. The management wishes to clarify as follows:
396. The foodstuffs were procured under a reserved category for women, in line with the Access to Government Procurement Opportunities (AGPO) Program requirements as per section 157 of PPAD Act 2015. Only two (2) bidders applied and were successfully prequalified under this category during the prequalification process.
397. Additionally, the procurement was intended to facilitate practical learning and training activities under the Hospitality Department.
398. Due to the limited number of prequalified suppliers in this special category and to avoid disrupting the learning activities, the Polytechnic proceeded to procure from the available bidder(s).

### ***Committee Observation***

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

#### **5.2.5 Long Outstanding Imprests**

400. The statement of financial position reflects Kshs.39,844,915 in respect to long term receivables from exchange transactions which, as disclosed in Note 19b to the financial statements includes outstanding imprests balance of Kshs.286,000 which had not been surrendered at the end of the financial year. As previously reported, the imprests dating back to 2019 were overdue as at 30 June, 2020. This was contrary to regulation 93 (5) of the Public Finance Management (National Government) Regulations, 2015. which states that holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to the duty station.

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

### **Management Response**

402. The Finance, Procurement, and Infrastructure Committee recommended the provision and subsequent write-off of Kshs 286,000 on 13 October 2023, in accordance with TKNP finance policy and Parliamentary Investment Committee (PIC) recommendations (2023). The Full Council adopted this on 26 October 2023.

403. Adjustments have been made in the audit of FY 2023/2024 (Annex 6)

404. Going forward, imprest management has been strengthened to ensure compliance with Regulation 93(5), which requires surrender within seven (7) working days after completing duty. Strict internal controls have been instituted to prevent recurrence.

### ***Committee Observation***

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

#### **5.2.6 Irregular Recruitment Process**

406. Review of records revealed that the Polytechnic recruited twelve (12) new members of staff. However, the annual recruitment plan had not been approved by the Council while minutes from the Human Resource, ICT and Resource Mobilization Committee were not provided to confirm the regularity of the recruitment process as required in Section 2.9.2 of the Kisumu National Polytechnic Human Resource Policies and Procedures Manual, 2019.

407. In the circumstances, Management was in breach of the policies and procedures manual

### ***Management Response***

408. Management acknowledges the observation regarding the approval of the annual recruitment plan and documentation of the recruitment process. It is important to clarify that the annual recruitment plan was subsequently approved by the Governing Council, and a copy of the approved plan is attached herewith for reference. Additionally, minutes of the Human Resource, ICT and Resource Mobilization Committee meeting that deliberated on the recruitment were duly signed and submitted to the Office of the Auditor-General during the audit process.
409. Management remains committed to upholding the provisions of the Kisumu National Polytechnic Human Resource Policies and Procedures Manual, 2019, and will continue to ensure that all recruitment processes are fully documented and compliant with institutional policies and regulatory requirements.

### ***Committee observation***

410. The Committee observed that the Management had provided the minutes of the council approving the recruitment for verification. Consequently, the matter is addressed.

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

### **5.3.1 Unallocated Funds – Refundable Deposits**

411. The statement of financial position as at 30 June, 2024 reflects a balance of Kshs.116,070,605 for refundable deposits from customers/students, as disclosed in Note 23 to the financial statements. The amount includes funds held in miscellaneous clearance account of Kshs.19,428,146, which has remained unchanged for two (2) financial years. There was no evidence of management's efforts to clear this amount.
412. In the circumstances, the accuracy and completeness of Kshs.116,070,605 as refundable deposits from customers/students as at 30 June,2024 could not be confirmed.

### ***Management Response***

413. The balance in the miscellaneous clearance account originated from unclassified amounts carried forward during the transition from the previous ERP system to the Abnusol system. These balances have been under review to ensure accurate classification in accordance with institutional financial policies.
414. To resolve this, a Council paper has been prepared seeking approval for transferring the outstanding balance from the miscellaneous clearance account to retained earnings. This recommendation is in accordance with IPSAS financial reporting standards and best accounting practices.

415. Given that these funds have remained unclaimed and static for over three financial years, management has also formally requested the Council's approval to write off the amount, ensuring financial statements accurately reflect the institution's financial position.

***Committee observation***

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

**5.3.2 Long Outstanding Student Debtors**

417. The statement of financial position and as disclosed in Note 19 to the financial statements reflects current receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.317,418,463 and Kshs.51,159,395 respectively. However, review of aging analysis revealed a balance of Kshs.29,938,661 relating to student debtors which had been outstanding for more than one (1) year.

418. In the circumstances, the completeness and recoverability of student debtors balance of Kshs.29,938,661 could not be confirmed.

***Management Response***

**i. Dependency on Government Capitation:**

419. Each student is entitled to Kshs. 30,000 annually in government capitation. However, during the audit period, only Kshs. 11,000 per student was disbursed, leading to an increase in outstanding student balances. Students were permitted to continue their studies and examinations while awaiting the full capitation disbursement.

**ii. Engagement with the Ministry of Education:**

420. The institution has officially engaged the Ministry of Education regarding the outstanding capitation of Kshs. 19,000 per student.

421. Reports on pending capitation have been submitted to the Ministry, and these amounts remain classified as pending bills. The institution anticipates that the outstanding student debtors will be significantly reduced once these funds are disbursed.

**iii. Encouraging Alternative Fee Settlement Measures**

422. Students with outstanding balances are encouraged to apply for Higher Education Loans Board (HELB) loans, bursaries, and financial aid from county governments and scholarship providers.

#### **iv. Provision for Bad Debts:**

423. If the pending capitation remains undisbursed, the institution will cover bad debts in accordance with applicable financial reporting standards.

##### ***Committee observation***

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

#### **5.3.3 Budgetary Control and Performance**

425. The statement of comparison between the budget and actual amounts reflects approved revenue budget of Kshs.680,684,950 and actual amounts realized of Kshs.660,765,620, resulting to an under-collection of Kshs.19,919,330 or 3o/o of the budget. Similarly, the Polytechnic spent Kshs.497,542,626 out of the approved budget of Kshs.637,689,275, resulting to an under expenditure of Kshs.159,777 ,670 or 22o/o of the approved budget. The under-funding and under-expenditure may have impacted negatively on delivery of services to the public.

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

#### **i. Revenue Variance is Within Acceptable Limits:**

426. The **three** percent variance in revenue collection is within the permissible threshold under IPSAS 24.14 (below 10 percent).

#### **ii. Expenditure Variance Due to Accrual Accounting and Funding Gaps:**

427. The 12 percent under-expenditure is attributed to the institution's adherence to accrual accounting principles, where not all projected income from capitation and student fees was received within the financial year.

428. The institution adjusted its spending to match actual revenue receipts, ensuring financial sustainability and preventing deficits.

#### **iii. Government-Imposed Budgetary Controls**

429. The government-imposed expenditure controls on certain budget lines, including repairs, maintenance, and administrative costs, contributing to the under-expenditure.

430. Some non-essential expenditures were deferred to future financial periods due to fiscal constraints.

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

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

### **5.3.4 Unresolved Prior Year Matters**

432. In the audit report of the previous year, issues were raised under the Report on the Financial Statements, Report on LaMulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, the Management had not resolved the issues as at 30 June,2024.

#### ***Committee observation***

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

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

434. Ms. Catherine Kelonye, Chief Principal, accompanied by;

- i. Mr. Paul Maher- Finance Officer
- ii. Mr. Milton Obote- Procurement Officer
- iii. Mr. Ibrahim Riziki- Human Resource Officer
- iv. Mr. Willis Okinda- ICT Manager appeared before the Committee to adduce evidence on the audited accounts of the Kisumu National Polytechnic, on 2<sup>nd</sup> February 2026.

#### **5.4.1 Budgetary Control and Performance**

435. The statement of comparison of budget and actual amounts reflects final revenue budget and actual amount on comparable basis of Kshs.696,422,000 and Kshs.799,686,837 respectively, resulting in an over performance of Kshs.103,264,837 or 15% of the budget.

436. The overperformance is attributed to transfers from National Government Ministries of Kshs.183,957,032 that was not budgeted for indicative of unauthorized expenditure. Similarly, the actual revenue and actual expenditure amounted to 799,686,837 and Kshs.552,340,617 respectively resulting to an under absorption of Kshs.232,579,258 or 29% of the total revenue.

437. The under expenditure affected implementation of the planned project activities and may impact negatively on delivery of services to the public.

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

438. The under-expenditure of Kshs.126,732,962 (19%) was due to factors beyond the institution's control. These included reduced and delayed government capitation (cut from Kshs.30,000 to Kshs.13,000 per student over four years), delayed HELB disbursements that weakened internally generated income, and National Treasury austerity measures. Together, these constraints limited funding availability and hindered full implementation of planned activities.

### ***Committee observation***

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

#### **5.4.2 Unresolved prior year matters**

440. In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively.

441. Review of the status during audit of the Polytechnic in 2024/2025 revealed that the following matters remained unresolved.

	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Unallocated Funds - Refundable Deposits
2	2023/2024	Long Outstanding Student Debtors
3	2023/2024	Budget Control and Performance
4	2023/2024	Effectiveness in Implementation of Audit Recommendations

### ***Management Response***

442. No response

### ***Committee Observation***

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

#### **5.4.3 Irregular Award of Tender to Non-eligible Bidder**

444. Review of payment and procurement records provided revealed Management contracted a security firm for the provision of security services during the year under review.

445. However, review of the procurement records revealed that the bidder did not provide a valid NSSF compliance certificate which was a mandatory requirement on the eligibility criteria. This is contrary to Regulation 74(1) of the Public Procurement and Asset Disposal Regulations, 2020, which states that pursuant to Section 80 of the Act and upon opening of tenders, the evaluation committee shall first conduct a preliminary evaluation to determine whether a tenderer complies with all the eligibility requirements provided for under section 55 of the Act.

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

***Management Response***

447. Management acknowledges that the NSSF compliance certificate was missing at the time of tender evaluation due to an administrative lapse, although the bidder met other eligibility requirements.

448. The bidder later submitted a valid NSSF compliance certificate for FY 2024/2025, and management has strengthened procurement controls to ensure all mandatory statutory documents are verified before contract award.

***Committee Observation***

449. The committee observed that there was indeed irregular award of tender.

450. The Committee observed that there was need for the provision of documentation relating to the issue and the management was to make decision after verification by the OAG.

***Committee Recommendation***

451. The Committee reprimanded the Procurement Officer for failing to comply with Section 70 (6) (e) of PPADA which sets out the requirements for qualifications of the person submitting the tender.

**5.4.4 Regularity and Integrity of the Registration of Persons Living with Disability and Approval of Tax Exemptions**

452. Review of the staff establishment revealed that the Polytechnic had four (4) persons living with disability as at April 2025. Review of the personal files revealed two officers failed to submit disability registration certificate and recommendations from a medical practitioner for the purpose of registration as a person living with disability.

453. This is contrary to Section 5 ((1) of The Persons with Disabilities (Registration) Regulations, 2009 which requires that a person with a disability may apply to have his or her name and particulars entered in the register of persons with disabilities. The applicant under sub regulation (1) may be required to attend such interview, medical examination and other assessment as the Council may consider necessary.

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

***Management Response***

455. Management has reviewed the observation and confirms that, at the time of audit, two (2) of the four (4) employees living with disabilities had not submitted the required documentation.

456. Management confirms that the affected officers have since complied by submitting the required documents which have been filed for record purposes.

***Committee Observation***

457. The Committee observed that requisite certifications were provided and verified thus the issue is resolved.

**5.4.5 Non-Compliance with Staff Ethnic Diversity Provisions**

458. Review of staff payroll bio data for the financial year 2024/2025 indicated that the Polytechnic had three hundred and six (306) employees out of which one hundred and ninety-six (196) or sixty four percent (64%) were from the dominant ethnic community in the region. This was contrary to Section 7(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".

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

***Management Response***

460. Management undertook recruitment of staff during the FY 2024/2025 to address this gap based on the approved recruitment plan. Details of newly recruited staff reflect an improvement on inclusivity, national cohesion and integration in line with section 7(2) of the National Cohesion and Integration Act, 2008.

***Committee Observation***

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

***Committee Recommendations***

462. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments within 2 years upon adoption of this report.

463. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

#### **5.4.6 Outstanding Student and Staff Debtors**

464. The statement of financial position reflects receivables from exchange transactions balance of Kshs.473,635,672 and as indicated in Note 19 is net of impairment allowances totaling to Kshs.130,534,905 in respect of current and long-term receivables from exchange transactions. Included in the gross students' debtors of Kshs.598,967,218 is an amount of Kshs.68,328,133 that had been outstanding for a period beyond one year despite being collectable within one financial year. Although Management has made a 100% provision, the lack of recovery is contrary to Paragraph 3.4.4(e) of the Polytechnic Financial Management Policy, 2019 (Revised 2023) which states that a debt that is unrecoverable after a period of five (5) years shall be forwarded to the Governing Council for consideration and recommendation to the Treasury through the Ministry of Education, Science and Technology for write off.
465. Further, the debtors have been outstanding beyond the prescribed period and Management and the Governing Council is yet to have the debtors written off from the books.
466. Further, no authority has been sought from the National Treasury towards the write off of these long outstanding balances.
467. In the circumstances, Management is in breach of its policy on debt management.

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

468. Management attributes long-outstanding student debtors to reduced government capitation and explains that action was taken on sundry debtors, including recovery of most balances and initiation of a write-off process pending National Treasury approval. While these measures are noted, significant receivables were outstanding at the time of audit, indicating weaknesses in debt management that require continued strengthening.

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

469. The Committee observed that long-outstanding student debtors were attributed to reduced Government capitation. Management has however undertaken recovery actions on sundry debtors, including the collection of most balances and initiation of a write-off process pending National Treasury approval. Significant receivables were still outstanding at the time of audit, indicating weaknesses in debt management.

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

470. The Committee recommends that the Ministry expeditiously reviews and considers the pending write-off request and provides necessary policy guidance on Government capitation and funding arrangements to enhance the institution's debt management and financial sustainability.

#### **5.4.7 Inconsistency in the Notes to the Financial Statements**

471. Note 19 to the financial statements had been repeated, leading to incorrect numbering of Notes to the financial statements, which had had the effects of misaligning the Notes numbering on the face of the financial statements and the actual Notes.

472. In the circumstances, the Notes to the financial statements are misaligned which is inconsistent with the requirements of the template provided by the PSASB.

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

473. Management has reviewed the observation and commits to correct the omission in the subsequent financial year FY 2025/2026

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

474. The Committee noted that the Management's commitment to subsequently correct the omission in the financial statements thus the matter is resolved.

#### **5.4.8 Lack of Approved IT Strategic Plan**

475. Review of the governance structures and work plans revealed that the Polytechnic did not have an approved IT policy for governance and management of its ICT resources. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the county and safeguarding of its ICT assets.

Further, without a sound and approved framework, users do not have any rules

476. and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

477. In the circumstances, existence of effective ICT controls could not be confirmed.

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

478. Management has explained that the delay in approval of the ICT Strategic Plan arose from the lapse and subsequent reconstitution of the Governing Council and has demonstrated that the plan has since been developed and is under review for approval. The continued guidance of ICT operations through existing policies and the Institutional Strategic Plan is noted.

479. Issue is partially addressed.

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

480. The Committee observed that the management had since developed an ICT plan, which was under review for approval and continues to guide ICT operations using existing policies.

### ***Committee Recommendation***

481. The Committee recommends that Management should expedite final approval of the plan within three months upon the adoption of this report.

#### **5.4.9 An Unallocated Students' Funds**

482. The statement of financial position and Note 23 reflects a balance of Kshs.36,861,848 in respect of refundable deposits from customers/students. Included in this balance is Kshs.524,074 and Kshs.167,848 in respect of TVET scholarship and capitation respectively. However, the liabilities remain unallocated as at 30 June, 2025 contrary to Paragraph 3.4.4 the Polytechnic's Financial Management Policy, 2019 (Revised 2023) on allocation of students' funds which states that all the funds received by sponsor shall be receipted and sponsorship account set up in the system as a liability. The funds shall be allocated in accordance to the list provided by the sponsor.

483. In the circumstances, effectiveness of internal controls on allocation of fees to respective votes could not be confirmed.

### ***Management Response***

484. Management attributed the unallocated balance of Kshs.691,922 to discrepancies between beneficiary lists and funds disbursed by the State Department for TVET and confirmed that the matter was formally communicated to the Ministry through a letter dated 28 August 2025 seeking guidance. However, the funds remained unallocated at year-end, highlighting the need to strengthen reconciliation processes and follow up on correspondences to ensure timely allocation in future.

### ***Committee Observation***

485. The Committee observed that although the matter was communicated to the Ministry on 28<sup>th</sup> August, 2025 seeking guidance, the funds remained unallocated at year end, indicating the need to strengthen reconciliation and follow-up processes to ensure timely allocation.

### ***Committee Recommendation***

486. The Committee recommends that State Department for TVET reviews the beneficiary lists and strengthens fund disbursement and reconciliation mechanisms to ensure accurate allocation of funds and timely resolution of such discrepancies in future.

## 6.0 MICHUKI NATIONAL POLYTECHNIC

487. Ms. Ann. M. Mbogo, the Chief Principal, was accompanied by Mr. Odima Bahati- Finance Officer to adduce evidence on the audited accounts of Michuki National Polytechnic, on 30<sup>th</sup> January, 2026.

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

#### 6.1.1 Property Plant and Equipment

488. The statement of financial position and as disclosed in Note 31 (b) reflects a balance of -in respect of property, plant and equipment. However, included in the balance are eight (8) motor vehicles registered in the name of Michuki Technical High School or jointly registered under Michuki Technical High School and a commercial bank. In addition, one (1) motor vehicle under the driving school department had private registration plate instead of the required parastatals plates. There was no documentary evidence exempting the motor vehicle from registration as a parastatal vehicle. Further, review of the property, plant and equipment movement schedule indicated that the institution acquired assets totaling Kshs.20,341 ,347 which have not been recorded in the asset register or tagged for ease of identification.

489. In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment valued at Kshs.722,970,473 could not be confirmed.

#### Management Response

490. All the institution vehicle current held by the institution are bearing name of the Michuki Technical Training Institution from Michuki Technical High School as indicated by log book of the vehicle.

491. The vehicle that bears private registration number KAC198D is normally used as a training kit for the students in the mechanical department.

492. The institution assets have been tagged assets and updated register as indicated by the master assets register.

#### Committee Observation

493. The Committee observed and recommended that the OAG has to confirm if the vehicles have log books, have been tagged and register updated.

494. Further, the OAG to confirm the status in the next audit cycle.

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

495. The statement of financial position reflects receivables from exchange transactions amount of Kshs.22,484, 118 which, as disclosed in Note 27 to the financial statements includes student debtors' amount of Kshs.19,690,079. However, an amount of Kshs. 18,524,239 or 94% of student debtors was outstanding for more than ninety days contrary to the Institute's credit control and debts management policy. Further, debts owed by Tetu TVC and Kigumo TVC amounting to Kshs.2,639,364 and Kshs.548,477 respectively had been outstanding for long without any action being taken to recover them.
496. In circumstances, the accuracy and recoverability of the receivables from exchange transactions of Kshs.22,484,118 could not be confirmed.

#### **Management Response**

497. The management stated that normally invoiced students of Ksh 56,420 into two fees installments payment, the amount that are beyond 90days relates to the sum of students who dropped -out or deferred studies due to lack of school fee as showed by the debtor analysis report, reduce the high student debt in the future management has put below mechanisms:
- (i) Management has set a tent for the students to enable them apply for HELB to assists them continues with their studies without interruptions.
  - (ii) Management has made a follow up with the mentee institution to pay the debt that which the institution supports them through furniture's, training and learning materials to enables them start operation as indicated by the letters sent to them.
  - (iii) Management has been able to recovered some from Kigumo TVC of Ksh 711,000 as indicated by the letters
  - (iv) The mentees agreed to pay their debt as per the mutual signed agreement for the debt payment as indicated by the mutual agreement letter (Kigumo and Tetu TVC).

#### **Committee Observation**

498. The Committee observed that underfunding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.
499. The Committee further observed that learning institutions were over-reliant of government capitation, and did not exploit their own income generating internal.
500. The committee observed that an amount of Kshs. 18,524,239 or 94% of student debtors was outstanding for more than 90 days contrary to the institute's credit control and debt management policy.

### ***Committee Recommendation***

501. The Committee recommends that the Accounting Officer initiates the process of writing off unrecoverable debts in accordance with the law, while instituting and strictly implementing a comprehensive credit control and debt management policy.

### **6.1.3 Budgetary Control and Performance**

502. The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.337, 504,000 against an actual on comparable basis of Kshs.244, 622,588 resulting in unrealized revenue of Kshs.92,881 ,412 or 28% of the budget.

503. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public

### **Management Response**

504. The under absorption of the budget is due undisbursed of QT4 government capitation of a total Ksh 23,872,500.

505. The budget was capped at 3,500 students and we only have 3,044 giving a shortfall of Ksh 25,953,200.

506. We expected a government development grant of Ksh 17,102,512 which never materializes. This yields a variance of Ksh 92,881,412 under absorption as indicated by fund analysis report.

### ***Committee observation***

507. The Committee observed that underfunding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

508. The Committee further observed that learning institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

509. The Committee recommends that the Accounting Officer must strengthen its budget formulation process to ensure that projections are realistic and achievable, thereby preventing the recurrence of large variances and ensuring planned services are delivered to beneficiaries.

510. The Committee further recommends that the Accounting Officer reviews budgets quarterly to reflect realities, through supplementary budgets. Additionally, the Institution should intensify efforts to develop other income generating activities to increase their cashflow so

as not to depend solely on government funding or student fees, which often results in budgetary shortfalls.

#### **6.1.4 Employees Costs**

511. The statement of financial performance reflects employees' costs amount of Kshs.29,046,473 which, as disclosed in Note 16 to the financial statements includes Kshs. 1,864,000 being casuals' wages for the year under review. However, Management did not maintain a muster roll to record the casuals and days worked. Instead, details of casuals contracted were extracted manually from temporary sheets. In addition, there was no attendance register.

##### **Management Response**

512. Management has maintained master roll as well as attendance register for the casual is being maintained as indicated by the attached records. Furthermore, management outsource the cleaning services which form the high number of the casual being hired by the institution as attached by the tender awarded to the supplier.
513. Management was able to write to the SRC to consult on the staff cadre scale and institution did staff job evaluation as per the SRC recommendation as attached by the SRC letter.

##### **Committee Observation**

514. The Committee observed that the institute had since complied with complied with the SRC recommendation by maintaining a master roll call register, and the issue is hereby deemed resolved as confirmed by the Office of the Attorney General.

#### **6.1.5 Lack of Staff Ethnic Diversity**

515. Examination and analysis of personnel records revealed that the Institute has two hundred and four (204) staff members out of whom one hundred and thirty-six (136) or 66.7% of the staff members are from the dominant ethnic community 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.

##### **Management Response**

516. The management informed the committee that the institution had been advertising available jobs on the institution website but majority of the applicants usually come from the locally dominant community. However, the senior management was composed of the following:
- a. Principal is from Embu
  - b. DP Administration is from Luhya
  - c. Finance Officer is from Luo

- d. Registrar is from Kikuyu
- e. Dean of Students is from Kikuyu
- f. Head of supply Chain is from Meru

517. The PSC trainers are normally posted by the government directly but for the staff under BOG management, measures had been put in place to ensure staff ethnic diversity is adhered to as shown by the attached staff report from, 66.7 percent to 56.45 percent.

***Committee Observation***

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

***Committee Recommendation***

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

**6.1.6 Incomplete Composition of Board of Directors**

520. During the year under review, the board held eight (8) meetings. However, one (1) board member only attended two (2) sessions. There was no evidence that the member's appointment was revoked contrary to Section 9(g) of the Technical and Vocational Education and Training Act, 2013 which states that the appointment of a member of the Board shall cease if the member is absent from three consecutive meetings of the Board without the permission of the chairman. Further, one (1) board member passed on in the year 2020 and is yet to be replaced thus incapacitating the operations.

**Management Response**

521. The board of governor is properly constituted now and the BOG members are attending the meeting as per the stipulated board meetings scheduled as indicated by the attached attendance

***Committee Observation***

**6.1.7** The Committee observed that the institution has a fully constituted Board of Governors as verified by the Office of the Attorney General. Consequently, the matter had been resolved.

### **6.1.8 Failure to Insure the Institute Assets**

522. Review of the internal controls at the Institute and the loss of property mitigation measures in the event of a disaster revealed that the Management had not taken any Insurance cover to safeguard its properties against fire, burglary and theft or any other calamity. Further, employees were also not covered in case of any injury in the course of their duty.
523. In the circumstances, the effectiveness of the internal control mechanisms and risk mitigation measures in case of unforeseen calamities could not be confirmed.

#### **Management Response**

524. Management has put up mechanisms measures to ensure that potential risks are mitigated by installing fire extinguishers in the designated areas and ensuring there are functioning properly so as to reduce or prevent risks and injuries in the institution.
525. All the institution vehicles are insured by insurance company as attached to secure institution vehicles from any risk eventualities.

#### **Committee Observation**

526. The Committee observes that the institution is in breach of Section 68 (2) (a) of the Public Finance Management Act.

#### **Committee Recommendation**

527. The Committee reprimands the Accounting Officer for failure to comply with Section 68 (2) (a) of the Public Finance Management Act

### **6.1.9 Lack of an Information Technology (IT) Internal Controls Policy and**

528. Audit of the Institute revealed the following;
- a. That there was no IT policy in place
  - b. The institute lacked an IT strategic committee
  - c. There were no burglar doors or restriction to the computer rooms thus leading to insecurity to the institute's information
  - d. There were no air conditioning systems in the computer room.
529. In the circumstances, the effectiveness of the IT governance and internal controls could not be confirmed.

#### **Management Response**

530. Management has developed ICT policy and appointed IT Committees as indicated by the attached ICT policy and has ensured the computer rooms are well ventilated to enable conducive learning by the students in the computer laboratories.

### *Committee Observation*

531. The Committee observed that the institution had developed and implemented an ICT Policy as verified by the Office of the Attorney General. Consequently, the matter had been resolved.

## **6.2 Audited statements for Financial Years 2023/2024– Qualified Opinion**

### **6.2.1 Inaccuracies in the Financial Statement**

532. Review of the financial statements balances and disclosures revealed the following inaccuracies The statement of financial position reflects Kshs.726,347,707 as net book value balance for property, plant and equipment. However, audit verification of the property, plant and equipment reflects net book value of Kshs.519,161 ,934 resulting to unexplained and unreconciled variance of Kshs.207,185,773 as shown below:

<b>Item</b>	<b>Balance as Per Property, Plant and Equipment Schedule (Kshs.)</b>	<b>Balance as per Note19b (Kshs.)</b>	<b>Variance (Kshs.)</b>
Cost value	869,204,110	585,927,859	283,276,251
Accumulated Depreciation	(142,856,403)	(66,765, 926)	(76,090, 477)
<b>Net Book Value</b>	<b>726,347,707</b>	<b>519,161,933</b>	<b>207,185,774</b>

533. The statement of financial position reflects Kshs.4,678,700 in respect of net book values of intangible assets. However, the financial statement reflects Kshs.4,459,386 resulting unexplained variance of Kshs.219,314.

534. The statement of cashflow reflects balance of Kshs. 93, 574,300 as net cashflow from operating activating activities which differ with the net surplus of Kshs. 34,030,032 reflected in the statement of financial performance. However, no disclosure in terms of note to financial statements in respect of cash generated from operations has been provided to reconcile the surplus for the year and net cash flow from operating activities as required by the reporting template prescribed by Public Sector Accounting Standards Board.

535. The Statement of statement of financial performance under the comparative column reflects balance which differ with the computed amount reflected in the notes to the financial statement as shown below;

Item	Note	Comparative Amount as per statement of financial performance (Kshs.)	Computed amount as the supporting note (Kshs.)	Variance (Kshs.)
Repairs and Maintenance.	14	23,351,529	17,463,977	5,887,552
Grants and Subsidies.	15	0	15,750,000	(15,750,000)
<b>Total</b>		<b>23,351,529</b>	<b>33,213,977</b>	<b>(9,862,448)</b>

536. The Statement of financial position under revenue reserves and revaluation reserves reflects amounts which differs with the re-computed amount as per the statement of net asset as shown below. In addition, the statement of net asset reflects Kshs. 129, 254,058 as opening balance for revenue reserves which differs with prior year audited closing balance of Kshs. 139,254,058 resulting to unexplained variance of Kshs. 10,000,000.

537. In the circumstance, the respective balances reflected in the financial statement could not be confirmed.

### **Management Response**

538. The management Unexplained Kshs. 207,185,773 arises from the cost estimates of the property, plant and equipment against the cost estimates of the insurance value of the property, plant and equipment. The insurance cost estimates value was undertaken to enable management undertake insurance cover for the property, plant and equipment held by the institution.

539. The management is in the process of valuing its property, plant and equipment in the FY2026-2027 to assist in determining the accuracy of its property, plant and equipment the institution held.

540. The intangible assets value of Ksh 4,678,700 in the statement of financial position have been re-align with that of the intangible assets value hence its same of Ksh 4,678,700.

541. The management stated that for the statement of cashflow reflects balance of Kshs.93,574,300 as net cashflow from operating activating activities which differ with the net surplus of Kshs.34,030,032 reflected in the statement of financial have been included.
542. The management stated that the comparative column has been re-align to the financial statement. Furthermore, Ksh 15,750,000 in comparative column relates to conditional grants for the learning facilities for Kigumo TVC.
543. The management further stated that the unexplained variance of Ksh 10,000,000 was an overbilling of the students sponsored by National Youth Service by extra one term for the students who were taking craft level certificate who ought to be in school for five terms not six terms hence Ksh 10,000,000 was remove from revenue reserve to avoid revenue overstatement as indicated by the attached invoiced and the students list.

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

544. The Committee observed that there was misrepresentation in the financial statement occasioned by overbilling NYS students.

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

545. The Committee recommends that the Management must configure the system to capture actual positions and regular reconciliations should be carried out as a corrective measure.

### **6.2.2 Anomalies in Revenue from Exchange Transactions**

546. Note 7 in the financial statement reflects Ksh. 294,745,590 and Ksh.216,428,173 as gross and net revenue respectively from rendering services – fees from students. Audit of the supporting documentations revealed the following anomalies.
547. Review of student billing report retrieved from the ERP system revealed that the total amount billed during the financial year was Kshs.308,988,914 which differs with the reported gross amount of Kshs.294,745,590 resulting to unexplained and unreconciled variance of Kshs.14,243,324.
548. The memorandum of understanding between NYS programme and the institution was not provided for audit review and therefore terms of engagement and how the trainees under the module were billed could not be confirmed. In the circumstances, the balances of revenue for rendering services -fee from student could not be confirmed.

#### **Management Response**

549. The management stated that the retrieved billed amount of Ksh 308,988,914 include also students who have deferred their studies and which differs with Ksh 294,745,590 which constitute only students who are in session and learning. Moreover, including students who

have deferred studies and even some drop out of school will leads to reporting an overstated revenue.

550. The management stated that the Memorandum of understanding between NYS and institution has been availed to address the query.

***Committee Observations.***

551. The committee observed that the Memorandum of Understanding between NYS and the institution had been provided to address the query. Consequently, the matter had been addressed.

**6.2.3 Use of Goods and Services**

**6.2.4 Unsupported Motor Vehicle Expenses**

552. Note 10 in the financial statements reflects Kshs.164,438,369 in respect of expenditure for use of goods and services. The expenditure includes Kshs.1,888,167 for motor vehicle expense. However, the amount spent on repairs were not supported by mechanical reports from a licensed mechanic to show the nature and extend of defects of the motor vehicles.

**Management Response.**

553. The management stated that they normally prepare service report for the vehicle service as per the attached report from the head of transport furthermore the institution vehicle usually goes for inspection by NTSA on continuous basis as indicated by the NTSA report which determine if indeed the vehicles are road worthy or not.

**6.2.5 Cleaning Services.**

554. Note 10 to the financial statements reflects expenditure of Kshs.164,438,369 in respect of use of goods and services included in the expenditure is cleaning services expenses totaling to Kshs.3,250,953. However, the following anomalies were observed;

- i. the supplier for cleaning services received a letter of notification of award on provision of cleaning services via tender no M.T.T.I/CLEANING SERVICES /24/2022/2023 dated December 22nd 2022 at a tender sum of Kshs.300,000. However, no letter of acceptance from the supplier was provided for audit.
- ii. The agreement between Institute and the supplier is dated 19th January, 2023. However, the Institute representative signed it on 19<sup>th</sup> January, 2022.
- iii. The agreement had no contract period Management Respond Agreement contract has included the contract period.
- iv. The invoices were not supported with ETR receipts.
- v. At the time of audit an expenditure of Kshs.2,063,038 had been incurred.

### **Management Response**

555. The management informed the Committee that letter of acceptance and the entire procurement process has been availed and the due process was followed.

556. Further, the mismatch on the date of signing has been corrected as per the attached documents.

557. Invoices are usually supported by ETRs and management normally deduct 2% withholding taxes and remit to KRA for the good supplied and delivered in the institution.

558. The documents that have been provided to explain the same.

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

559. The Committee observed that the institution flouted the procurement process as duly elucidate under the Public Procurement and Asset Disposal Act, Cap. 412C.

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

560. The Committee reprimands the Accounting Officer and Procurement Officer for failing to comply with the Public Procurement and Asset Disposal Act, Cap. 412C.

### **6.2.6 Unsupported Security Expenses**

561. Note 10 to the financial statements reflects expenditure of Kshs.164,438,369 in respect of use of goods and services included in the amount is security expenses totaling to Kshs.2,291,420. However, the following anomalies were noted;

- i. The supplier of security services was not in the list of prequalified suppliers;
- ii. The contract agreement between institute and security firm provided for audit verification did not disclose the contract sum and the contract period.
- iii. The expenditure of Kshs.1,310,597 had been incurred.

562. In the circumstances, expenditure for respective components for goods and services could not be confirmed.

### **Management Response.**

563. The supplier was among of the pre-qualified list of suppliers as per the attached list of the pre-qualified suppliers that the institution pre-qualified.

564. The contract of the security firm has the clause of the contract period as per the attached letter of the contract agreement.

565. In the circumstances, expenditure for respective components for goods and services could not be confirmed.

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

566. The Committee observed that the said institution flouted the procurement process as duly elucidate under the Public Procurement and Asset Disposal Act, Cap. 412C.

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

567. The Committee reprimands the Accounting Officer and Procurement Officer for failing to comply with the Public Procurement and Asset Disposal Act, Cap. 412C.

### **6.2.7 Unsupported Repair and Maintenance Expenses**

568. Note 10 of the financial statement reflects Ksh. 19,154,443 in respect of repair and maintenance. The balance includes maintenance of building amounting to Kshs. 3,170, 664 and general refurbishment amounting to Ksh. 10,866,247. The institutions used individuals from the community for maintenance of building for the expenditure amounting to Kshs.726,859 and general refurbishment amounting to Kshs.2,490,234. However, the following anomalies were noted.

- i. There were no minutes to confirm meeting of the beneficiary community.
- ii. There was no document or record of communication to confirm how the community elected or nominated their representative as per the regulations.
- iii. The register from the supervisors of the projects to confirm individuals who performed the duties was not provided during the audit.

569. It was impossible to confirm the basis of payment of Ksh. 3,217.093 incurred under repairs and maintenance.

570. In the circumstances, the basis of payment of Ksh. 3,217,093 incurred under repairs and maintenance could not be confirmed.

### **Management Response.**

571. Management normally engaged people from surroundings to undertake small works in the institution i.e. tiles repairs and masonry works only when there is a need for such services. Management has an internal control system as per the attached works plan scheduled from a clerk of works for the work to be done, person assigned to it, and the amount of money to be paid. This has promoted a harmony between the institution and the community surrounding the institution.

572. It was not possible to confirm the basis of payment of Kshs.3,217,093 incurred under repairs and maintenance.

573. In the circumstances, the basis of payment of Kshs.3,217,093 incurred under repairs and maintenance could not be confirmed

### ***Committee Observations***

574. The Committee observed that there was no proper usage of public funds in the institution since there was loss of funds recorded in the institution.

### ***Committee Recommendations***

575. The Committee recommends that the institution should provide documentation to the Auditor General for further examination within two weeks. Further, the OAG should report back to the committee in the next audit cycle.

### **6.2.8 Long-outstanding Trade Receivables**

576. Note 17 of the financial statements reflects Kshs.27,047,560 as net receivables from exchange transactions which includes student debtors balance of Kshs.10,389,741, receivable from National Youth Service amounting to Kshs.9,846,400, receivable from Tetu TVC amounting to Kshs.2,639,364, receivable from Kigumo TVC amounting to Kshs.3,483,574, receivables from Laikipia West amounting to Kshs.896,276 and provision of bad and doubtful debt amounting to Kshs.207,795.

577. However, the following anomalies were noted:

- i. The schedule, invoices issued and receipts for student debtors amounting to Kshs.12,233,891 were not provided for audit, the accuracy and completeness of the closing balance for student debtors could not be ascertained.
- ii. The schedule for opening balance of receivables from National Youth Service amounting to Kshs.34,456,200 was not provided, only invoices amounting to Kshs.9,846,400 were provided.

### **Management Response.**

578. The management stated that the schedule has been provided as per attached list for the students' debtors.

579. The management further stated that they have provided the Scheduled for opening balance of receivables from NYS.

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

580. The Committee observed that the accountant did not follow IPSAS reporting standard that is established in law.

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

581. The Committee Reprimands the accountant for failure to comply with IPSAS reporting standard that is established in law.

582. The Committee recommends the school to develop a fee collection policy to help collect the collection of the said policy.

583. Upon the adoption of this Report, the Committee recommends that the doubtful debt be recovered.

### **6.2.9 Inaccurate Biological Assets Balance**

584. Note 18 to the financial statements reflects biological assets amounting to Kshs.325,000. The report and valuation upon all assets (immovable and movable) prepared by Valuer in June, 2024 indicated that the biological assets were valued at Kshs.1,150,000 resulting to unexplained and unreconciled variance of Kshs.825,000. In the circumstances, the reported balance of biological asset could not be confirmed.

#### **Management Response**

585. The fair value of the biological assets is Ksh 325,000 as stated in the financial statement. Furthermore, institution has only three cows and two calves which their measurability cannot worth Ksh 1,150,000.

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

586. The Committee observed that the institution did not keep accurate biological assets register.

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

587. The Committee recommends that the institution keeps an actual register of assets as stipulated under Regulation 143 of the Public Finance Management (National Government) Regulations, 2015.

### **6.2.10 Property, Plant and Equipment**

#### **6.2.11 Lack of Ownership Documents**

588. Note 19 on property, plant and equipment include land with a cost of Kshs.42,100,000. However, ownership could not be established since the ownership documents for one (1) parcel of land was not provided for audit confirmation. In addition, the property, plant and equipment balance include a net book balance of Kshs.8,541,503 in respect of motor vehicles. However, two (2) logbooks indicates that the vehicles belong to Michuki Technical High School instead of Michuki Technical Training Institute. Management have not demonstrated action taken to register the motor vehicle in the name of the institute.

#### **Management Response**

589. All institution vehicles are currently in the name of the institution The Michuki National Polytechnic formerly Michuki Technical Training Institute.

### ***Committee Observations***

590. The Committee observed that all institution vehicles are in the name of the institution. Consequently, matter had been addressed.

#### **6.2.12 Undisclosed assets.**

591. Physical verification carried out in the month of April 2025 revealed that the Institution has assets for value addition plant donated from the Government of China. However, there were no documentations to confirm the values of the assets, neither were the said assets included in the financial statements.

592. In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment could not be confirmed.

### **Management Response**

593. The undisclosed assets in the financial statement were the items that were donated by the Chinese government which their records are held by the ministry of education because it was a partnership between government of Kenya and Chinese government. The management will value it assets in the FY2026-2027 in order to determine the actual costs of the items and record them in the financial statement in the FY2026-2027.

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

594. The Committee observed that the institution did not disclose donations from the Chinese government in their records.

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

595. The Committee recommends that the Institution adheres to the provision of Part VII of the Public Finance Management (National Government) Regulations, 2015 that prescribes the management of grants and donations.

596. Further the Committee recommends that the Auditor reports in the next audit cycle of the status of the same.

#### **6.2.13 Inaccuracy of Intangible Assets**

597. The statement of financial position as at 30 June, 2024 and as disclosed in Note 20 reflects a balance Kshs.4,459,386. However, this was not in agreement with the net book value in the assets register of balance of Kshs.8,200,000, resulting in unexplained and unreconciled variance of Kshs.3,740,614.

598. In the circumstances, the accuracy and completeness of the intangible assets could not be confirmed.

### **Management Response**

599. The reported figure of Ksh 4,459,386 in the financial statement is less accumulated depreciation and Ksh 8,200,000 is inclusive accumulated depreciation in the prior period.

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

600. The Committee observed that the matter is addressed but directed the Institution to follow the accounting style and laws in place.

### **6.2.14 Unsupported trade and other payables**

601. Note 20 of the financial statement reflects Ksh.18,602,919 in respect of trade and other payables. However, the balance includes Ksh. 1,840,924 for trade payables not supported with invoices and supplier account statements. Further, analysis and documentary evidence in respect of other pending payables were not provided for audit.

602. In the circumstances, the accuracy and completeness of the trade and other payables could not be confirmed.

603. The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Michuki Technical Training Institute Management in accordance with the ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Management Response**

604. The balance of trade payable of Ksh 1,840,924 as per the statement of the accounts have been provided and the pending bills for the attached supplied were paid and cleared.

### ***Committee Observations***

605. The Committee observed that the statement of accounts had been provided. Consequently, the matter had been addressed.

### **6.2.15 Budgetary Control and Performance**

606. The statement of comparison of budget and actual amounts reflects final budgeted receipts and actual amount of Ksh.300,382,930 and Kshs.334,435,626 respectively. However, the College spent Kshs.286,183,293 against actual receipts of Ksh.334,435,626 resulting to underutilization of Kshs.48,252,333 or 16% of the actual receipts.

607. The underutilization of receipts affected the planned activities and may have impacted the service delivery to the intended college beneficiaries. My opinion is not modified in respect of this matter.

### **Management Response**

608. The underutilization was towards saving funds to enable institution expand its infrastructure in the institution to construct a tuition block for training and learning complex in the FY2024-2025 which the management was able to achieve, hence promoting a conducive environment for learning and training students.

### ***Committee Observations***

609. The Committee observed that the matter has been addressed.

## **6.3 Audited statements of financial year 2024/2025- Qualified Opinion**

### **6.3.1 Unsupported and Undisclosed Property, Plant and Equipment**

610. The statement of financial position reflects Kshs.779,804,761 as property, plant and equipment as detailed in Note 19 to the financial statements. However, review of records indicates unsupported and unauthorized accounting adjustment of Kshs.136,660,041. Further, the Institution had assets donated by the Chinese government whose value has not been captured in the financial statement.

611. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.779,804,761 could not be confirmed.

### **Management Response**

612. The accounting adjustment of Kshs.136,660,041 in the property, plant and equipment relates to the reinstatement of property, plant and equipment measurement based on their cost rather than their net book value. In the previous year the property, plant and equipment were prepared under net book value movement scheduled and this was in re-align with the previous year auditor guide to prepare the property, plant and equipment movement under cost in comparative with their net book value.

613. The undisclosed assets in the financial statement were the items that were donated by the Chinese government which their records are held by the ministry of education because it was a partnership between government of Kenya and Chinese. The management will value it assets in the FY2026-2027 in order to determine the actual costs of the items and record them in the financial statement for the FY2026-2027.

*Committee observations.*

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

**6.3.2 Inaccuracies in the Statement of Cashflows.**

615. The statement of cashflows reflects cash and cash equivalents balance of Kshs.27,945,559. However, Note 23 to the financial statements on cash generated from operations reflects increase in receivables of Kshs.8,276,006 which differs with the statement of financial position movement of Kshs.4,994,868 resulting in unreconciled variance of Kshs.3,281,138.

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

**Management Response**

617. The statement of the cash and cash equivalence have been reconciled under note 23 with the statement of the financial position.

*Committee Recommendations.*

618. The Committee observed that the cash and cash equivalent balances had been reconciled. Consequently, the matter had been reconciled.

**6.3.3 Budgetary Control and Performance**

619. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs.363,270,900 and Kshs.329,268,185. The Polytechnic expended Kshs.377,336,143 against actual receipts of Kshs.329,268,185 resulting in over expenditure of Kshs.48,067,958 without approved supplementary budget. The over expenditure may be an indication of poor budgeting. My opinion is not modified in respect this matter.

**Management Response**

620. The over expenditures incurred was Ksh. 9,533,302 not Ksh 48,067,958 which mainly relates to graduation that was held in the institution as per the attached approved budget by the council. Moreover, institution had cash and cash equivalence that was rolled over from the previous year that normally assist the institution to start operations as we wait for the fees from the students and government funding.

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

621. The Committee observed that the Ministry of Education delayed in the disbursement of funds thus affecting the operations of the institution.
622. The Committee further observed that learning institutions were over-reliant on government capitation and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

623. The Committee recommends the Ministry of Education should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.
624. Further, the committee recommends that the Institutions be encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

### **6.3.4 Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements**

625. The financial statements presented for audit did not comply with the PSASB reporting requirements as detailed below:
- a. Note for reconciling cash generated from operating activities is missing.
  - b. Page numbering on page 4 is missing.
  - c. Statement of changes in net assets and statement of cashflows have been presented in one page instead of separate pages.
  - d. Names of the Council Chairman, Chief Principal and Finance Officer who signed the statement of financial position on page 2 were not indicated.
626. In the circumstances, Management was in breach of the PSASB guidelines.

### **Management Response**

627. Note for the reconciling cash generate from operating activities have included, page numbering has also been included, the statement of the net assets and statement of cash flows has been presented on separate pages and the names of the who signed the financial statement have been included.

### ***Committee Observation***

628. The Committee The financial statements presented for audit did not comply with the PSASB reporting requirements.

### *Committee Recommendation*

**6.3.5** The Committee reprimands the Finance Officer for failing to comply with Public Sector Accounting Standards Board (PSASB) Reporting Requirements.

### **6.3.6 Irregular Transfers to Kenya Association of Technical Training Institutes (KATTI)**

629. The statement of financial performance reflects use of goods and services of Kshs.199,994,928 as disclosed in Note 10 to the financial statements. Included in the amount is Kshs.57,262,276 in respect to administration costs. Records provided for audit review revealed that the Polytechnic transferred Kshs.100,000 to Kenya Association of Technical Training Institutes (KATTI). KATTI is a welfare organization that draws its membership from School Principals only. The organization is not defined in Government funding system and there is no assurance that it has implemented effective, efficient, and transparent financial management and internal control systems to manage the funds transferred.

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

### **Management Response**

631. KATTI is an umbrella that is mandated to manage the affairs of the technical training institution mainly organizing trainings, workshops and extra curriculum activities in the TVET. Moreover Ksh 100,000 that was paid to KATTI is for the common annual subscription that is normally paid by technical institution as indicated by the attached letter from KATTI furthermore financial statements for KATTI is usually audited at their head quarter offices.

### *Committee Observations*

632. The Committee observed that the organization receives monies yet it does not have a basis in law.

### *Committee Recommendations*

633. The Committee recommends and directs that upon tabling of this report, the institutions should stop remitting monies to KATTI.

### **6.3.7 Non-Compliance with Law on Ethnic Composition**

634. The statement of financial performance reflects employee costs of Kshs.47,950,759 as disclosed in Note 11 to the financial statements. During the year under review, the Polytechnic employed twenty-nine (29) staff out of which seventeen (17) representing 59% were members of dominant ethnic community in the County. This was contrary to Section

7(1) and 2 of the National Cohesion and Integration Act, Cap. 7N which states that all public offices shall seek to represent the diversity of 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.

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

### **Management Response**

636. Management is committed to in ensuring national cohesion and integration Act, Cap. 7N is adhered to through:

- i. Expanding advertisement for the recruitment of staffs nationwide through print media and other electronic forms of communication to ensure a wider coverage for the applicants to apply for the job opportunities.
- ii. Strengthening inclusion and diversity considerations in recruitment, to ensure qualified candidates from underrepresented communities are fairly considered in hiring process.
- iii. Continuing engagement with PSC on balanced deployment of trainers, to support equitable ethnic representation within the institution.

637. Moreover, management in its current job advertisement has ensured the ethnicity is adhered to by recently hired an assistant supply chain who is coming from a Maasai community.

### **Committee Observations**

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

### **Committee Recommendations.**

639. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments withing two (2) years upon the adoption of this report.

### **6.3.8 Irregular Use of Direct Procurement Method**

640. The statement of financial performance reflects use of goods and services of Kshs.199,994,928 as disclosed in Note 10 to the financial statements. Included in the amount is Kshs.57,262,276 as administration costs. Review of payment records revealed that Management awarded the services of a conference facility through direct procurement at a cost of Kshs.1,085,583. This was contrary to the conditions set under Section 103 of the Public Procurement and Asset Disposal Act, Cap.412C.

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

### **Management Response**

642. The procurement process and procedure were followed as indicated by the attached procurement process for the conference facility that the institution was in need of.

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

643. The committee observed that the matter has been addressed.

### **6.3.9 Non-Compliance with Public Procurement Capacity Building Levy Order**

644. Audit review of payments for signed contracts amounting to Kshs.169,916,873 revealed, that Kshs.50,975 being capacity building levy of 0.03% as required by Legal Notice No. 206 of 2023 was not deducted and remitted to the Public Procurement Regulatory Authority.

645. In the circumstances, Management was in breach of Legal Notice No. 206 of 2023.

### **Management Response**

646. Management has adhered with order and now paying the capacity building levy of 0.03 percent as indicated by the attached summarised invoices and payment slip.

### ***Committee Observations***

647. The Committee observed that the matter has been addressed.

### **6.3.10 Ineffective System of Internal Controls on Imprest Management**

648. Review of system of internal controls on imprest management revealed that imprests were issued without warrants. Further, review of imprest registers and imprest requisitions revealed that job groups were not indicated as required by Regulation 91 of the Public Finance Management (National Government) Regulations, 2015.

649. In the circumstances, Management of imprest was not effective

### **Management Response**

650. Imprest management is normally maintained in the institution and its automated in the accounting system where a person requesting an imprest has to initiate it in the system, validated and approved by the accounting officer furthermore upon surrender its again being surrendered in the system as the system cannot allow any staff to be issued with another imprest before he/she surrenders the previous imprest disbursed to him or her. Management has a common staff imprest facilitation due to sustaining issues, all the staff facilitation as per their job groups will be included in subsequent reporting period.

*Committee Observations*

651. The Committee observed that the matter has been duly addressed.

## **7.0 NAIROBI NATIONAL POLYTECHNIC**

652. Ms. Glory Mutungi, Principal, accompanied by;

- ii. Mr. Maxwell Gitonga- Finance Officer
- iii. Ms. Moses Sangura- Internal Auditor
- iv. Mr. Gilbert Bowen- Supply Chain Manager

appeared before the Committee to adduce evidence on the audited accounts of Nairobi National Polytechnic.

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

#### **7.1.1 Inconsistencies in Cash and Cash Equivalents**

653. Note 16 to the financial statements reflects a balance of Kshs. 257,561,992 relating to cash and cash equivalents. The amount includes Kshs. 42,496,885 for an account managed by the Institute for Mathare TVC. However, the certificate of bank balance for Mathare TVC account reflects a bank balance of Kshs. 676,607 while the bank reconciliation statement indicates balance as per bank certificate of Kshs. 42,573,908 resulting to unexplained variance of Kshs 41,897,301.

#### **Management Response**

654. We acknowledge the audit observation regarding the variance between the amount of Kshs. 42,496,885 reported under cash and cash equivalents in Note 16 to the financial statements, and the balance of Kshs. 676,607 reflected in the bank certificate, resulting in a noted variance of Kshs. 41,897,301.

#### **Committee Observation**

655. The Committee observed that the institution has since reconciled their financial statements thus the issue is resolved.

#### **7.1.2 Unsupported Accounts Receivables**

656. Note 17a and Note 17b reflects receivables from exchange and non-exchange transactions balances of Kshs. 117,548,938 and Kshs. 113,146,425 respectively, totaling Kshs. 230,695,363.

657. However, the Institute did not provide approved fee policy to ensure prompt payment of fees and collection of outstanding balances.

658. Further, the ageing analysis of trade and other receivables was not disclosed under Note 17 to FS while the significant accounting policy on accounts receivables is silent on the treatment of student's fee balances.

### **Management Response**

659. A detailed ageing analysis of receivables has since been prepared and is available for audit review
660. A Student Fees Payment Policy has been developed and is currently in use

### ***Committee Observation***

661. The Committee observed that a detailed ageing analysis of receivables has since been prepared and made available for audit review thus the issue is resolved.

### **7.1.3 Budgetary Control**

662. FS reflects final receipts budget and actual on comparable basis of Kshs.629,117,101 and Kshs.684,266,296 respectively resulting to an over funding of Kshs.55,149,195 or 9% of the budget. Similarly, the statement reflects final expenditure of Kshs.582,813,400 against actual receipts of Kshs.684,266,296 resulting to an under expenditure of Kshs.101,452,896 or 15% of actual receipts.
663. The under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

664. Not Responded

### ***Committee observation***

665. The Committee observed that while the management failed to provide a response to the query, under funding in learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.
666. The Committee further observed that learning institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

667. The Committee recommends that the Accounting Officer must strengthen its budget formulation process to ensure that projections are realistic and achievable, thereby preventing the recurrence of large variances and ensuring planned services are delivered to beneficiaries.
668. The Committee further recommends that the Accounting Officer reviews budgets quarterly to reflect realities, through supplementary budgets. Additionally, the Institution should intensify efforts to develop other income generating activities to increase their cashflow so

as not to depend solely on government funding or student fees, which often results in budgetary shortfalls.

#### **7.1.4 Students Sitting Examinations with Fee Balances**

669. Review of the student debtors' lists as at November, 2023 revealed that eight hundred and fourteen (814) students who sat for examinations had outstanding fee balances amounting to Kshs. 20,622,810. This contravened the Institute's admission policy, which requires students to clear their fees in full before registering for the current semester indicating a weakness or override of internal controls in enforcing fee collection policies.

##### **Management Response**

670. This was in line with the Government directive to allow students to sit for exams. While the intention in certain cases was to accommodate students facing temporary financial hardship, the approach was not aligned to the current established fees policy. To address the issue and strengthen internal controls, management has initiated the following measures:

671. Policy	Enforcement	Circular:
A circular reinforcing strict adherence to the fee payment policy shall be issued to all departments on approval of the fees policy, with clear guidelines and consequences for non-compliance. While the current receivables balance is high, the majority relates to continuing students, and recovery efforts are ongoing through student account reviews and reminders.		

##### **Committee Observation**

672. The Committee observed that students who sat for examinations had outstanding fee balances contrary to the Institute's admission policy which requires students to clear their fees in full before registering for the current semester, indicating a weakness in the enforcement of internal controls on fee collection.

##### **Committee Recommendation**

673. The Committee recommends that Management strictly enforce the Student Fees Payment Policy and strengthen internal controls to ensure that students clear their fee obligations before sitting for examinations, except where there is an approved Government directive. Further, Management should implement effective debt recovery measures and regularly review student accounts to reduce the accumulation of outstanding fee balances.

#### **7.1.5 Lack of System Ownership**

674. The Institute procured a Human Resource and Payroll Management System from a vendor. However, review of system ownership and control revealed that the vendor did not surrender the administrator credentials for the database to the Institution. As a result, the Institute has no direct

control over its database, relying entirely on the vendor for system administration, updates, modifications, and troubleshooting. This lack of access restricts the Institution's ability to independently manage its data, conduct system customizations, or implement security measures without vendor intervention.

675. Further, the dependency poses significant operational, security, and financial risks, including potential delays in system updates, increased costs for modifications, and vulnerability to data manipulation or loss.

In addition, the inability to conduct independent system audits and implement security controls exposes the Institution to fraud and operational inefficiencies. In the circumstances, the ownership and value for money utilized on the system could not be confirmed

#### **Management Response**

676. In relation to the audit query, management liaised with the system provider who responded as follows; Perpetual License Ownership, The Nairobi National Polytechnic procured ABN Unisol ERP under a perpetual license agreement. This grants the Polytechnic unlimited user rights and perpetual use of the system without expiry. This ownership model is equivalent to all major proprietary software providers (e.g., Microsoft, Oracle, SAP) where the client owns perpetual usage rights while the intellectual property and source code remain with the developer.

677. The source code and underlying intellectual property remain the property of ABNO Softwares International Ltd, as per standard proprietary software practice.

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

678. The Committee observed that the ABN Unisol ERP system used by the institution was procured under a perpetual license agreement, granting the Polytechnic unlimited user rights and perpetual use of the system. However, the source code and underlying intellectual property remain the property of ABNO Softwares International Ltd in accordance with standard proprietary software practice.

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

679. The Committee recommends that management to ensure that adequate system administration controls and access rights are established to safeguard institutional data and enhance system security

### **7.1.6 Non-Compliance with One Third Basic Salary Rule**

680. Analysis of the staff payroll for the financial years ending June, 2024 established that there were employees who received net salary that was less than one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007.

### **Management Response**

681. The payroll arrangements in question were influenced by deductions related to statutory contributions, loan repayments, and other authorized deductions, which resulted in net salaries falling below the statutory minimum threshold.

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

682. The Committee observed that some employees received net salaries below one-third of their basic salaries, which is contrary to Section 19(3) of the Employment Act, 2007, which provides that statutory and other deductions should not reduce an employee's salary below the prescribed threshold.

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

683. The Committee recommends that management to ensure full compliance with the law and conduct periodic payroll reviews to prevent recurrence.

### **7.1.7 Poor Stores Management**

684. A physical audit inspection conducted in the Institution 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.

#### **Management Response**

685. The issues highlighted were largely due to space constraints and high volume of stored materials. These factors contributed to congestion and hindered proper accessibility and visibility of items during physical inspection

686. A full reorganization exercise has been carried out to declutter the store and improve the arrangement of items by category, ensuring ease of access and identification.

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

687. The Committee observed that Management has since undertaken a comprehensive reorganization of the store to declutter the space and improve the arrangement of items by category, thereby enhancing ease of access and identification thus the matter is resolved.

## **7.2 Audited statements for Financial Year 2024/2025**

### **7.2.1 Gaps in Recognition of Rendering of Services Income**

688. The statement of financial performance and as disclosed in Note 7 to the financial statements reflects rendering of services income of Kshs.499,910,503. However, review of revenue documents revealed that the May — August semester runs across two (2) financial

years and the related invoices were not apportioned between the respective accounting periods.

689. In the circumstances, the accuracy and completeness of revenue from rendering of services amount of could not be confirmed.

#### **Management Response**

690. The variance noted arose due to the current revenue recognition process, which records invoiced amounts at the point of billing without systematic accrual adjustments for services rendered across different accounting periods.

691. To address this weakness, management will implement procedures to ensure revenue is recognized in the appropriate accounting period in accordance with applicable accounting standards. This will include prorating semester-based invoices between financial years based on the period services are rendered and recognizing the unearned portion as deferred income where applicable.

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

692. The Committee observed that the variance arose from the revenue recognition process, which records invoiced amounts at the point of billing without making systematic accrual adjustments for services rendered across different accounting periods.

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

693. The Committee recommends that Management implements appropriate revenue recognition procedures to ensure income is recorded in the correct accounting period in accordance with applicable accounting standards. This should include prorating semester-based invoices between financial years based on the period the services are rendered and recognizing the unearned portion as deferred income where applicable.

### **7.2.2 Unsupported receivables from Exchange Transactions**

694. The statement of financial position and Note 18(a) reflects net receivables from exchange transactions of Kshs. 262,019,153 which relates to student debtors. This was an increase of 144,470,215 from the prior year balance of 117,548,938. However, the aging analysis of receivables from exchange transactions balance of 262,019,153 was not provided.

695. In the circumstances, the accuracy and recoverability of receivables from exchange transactions totalling Kshs.262,019,153 could not be confirmed.

#### **Management Response**

696. Receivables from non-exchange transactions was occasioned by arrears in Government capitation for the affected students. The Government through the MOE has since

transitioned from the old capitation model to the new scholarship funding to address the issues and continuously disburses funds on availability of resources

697. The Institute has since enforced its revenue collection mechanisms by sending regular reminders to parents/guardians to ensure they clear the outstanding fees balances.

698. The aging analysis is provided for audit verification

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

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

#### **7.2.3 Manual payroll for non-technical BOG Staff without unique identifiers.**

700. Reported in the statement of financial performance and as disclosed in Note 10 is employees' costs of Kshs. 70,536,678. Included in the amount is Ksh 23,927,844 relating to staff employed by the Board of Governors (BOG). The audit established that the payroll was manually maintained and only contained staff name with **no unique identifiers** such as staff numbers, National ID, KRA PIN. This was contrary to the Employment Act, 2007 which requires employers to maintain proper employment records including details of each employee's identity, terms of service and remuneration.

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

#### **Management Response**

702. The BOG staff payroll with mandatory identifiers for each employee, including staff number, National ID, PIN, job group and designation has been provided as per the recommendation.

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

703. The Committee observed that the BOG staff payroll with mandatory identifiers has since been provided in accordance with the recommendation thus the matter is resolved.

#### **7.2.4 Violation of the One-Third Basic Pay Rule on Statutory and Third-Party Deductions**

704. Audit review of the payroll established that sixteen (16) staff had statutory and third-party deductions that exceeded the legal limit, thereby violating the one-third basic pay rule. This was contrary to Section 19(3) of the Employment Act 2007 which provides that an employer shall not make any deductions from an employee's wages, together with deductions already made, exceeds two-thirds of the employee's wages at any one time.

705. In the circumstances, Management was in breach of the law and the affected staff are exposed to possible reputational damage which may weaken their morale and performance.

### **Management Response**

706. The violation of the 1/3 rule was influenced by deductions related to statutory contributions, and other authorized deductions, which resulted in net salaries falling below the statutory minimum threshold.
707. Management has informed employees to do adjustment of their obligation to ensure that the net salary is within the 1/3 rule as required by the employment act.

### ***Committee Observation***

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

### **7.2.5 Board Expenses**

709. The statement of financial performance and as disclosed in Note 11 to the financial statements reflects BOG meetings expenses of Kshs. 9,063,693. Audit review of the list of Board meetings revealed that the Board held eight (8) meetings during the financial year which exceeded the ceiling of six (6) meetings without justification as required by Circular MOE/SDTVET/DTE/ADM/144 dated 6 December, 2024 which states that in line with the edicts of Mwongozo, there shall be at least four (4) meetings in a year, the number of meetings shall not exceed six (6) in a year. In addition, the Board did not have an annual Board work plan which should set out the activities of the Board during the year as required by Chapter 1.9 of Mwongozo.
710. In the circumstances, Management was in breach of the law.

### **Management Response**

711. The two extra Board meetings were occasioned by students' unrest that the Board and Management had to sit and address the issues raised by the trainees. After the meeting the secretary to the Board wrote to the PS for the ratification of the meeting. Going forward, the Board has prepared the Almanac for the year 2025/2026 in line with the audit recommendation.

### ***Committee Observation***

712. The Committee observed that the management subsequently wrote to the Parent Ministry seeking ratification of the meetings. In addition, the Board has prepared the Almanac for the year 2025/2026 in line with the audit recommendation thus the matter is resolved.

### **7.2.6 Delayed Transfer of Narok TVC Grant**

713. The statement of financial performance and as disclosed in Note 6(a) to the financial statements reflects revenue from National Government amount of Kshs.178,356,250 which

includes an amount of Kshs. 10,000,000 received for the Narok Technical and Vocational College (TVC) for construction. The grant was recognized as revenue from non-exchange transactions under conditional grants.

714. However, as at year-end, the funds had not been transferred to the intended project and no reason was provided for failure to transfer the funds to the intended entity. The delayed transfer of the funds exposes the entity to non-compliance with grant conditions.

715. In the circumstances, there is exposure to inefficiencies in project implementation and delay in timely delivery of services or outputs expected from the grant.

#### **Management Response**

716. Narok TVC was mentored by Nairobi Polytechnic and its development funds pass through the Institute accounts.

717. The Ministry disbursed the funds to the Institute and later sent a memo to instruct the purpose of the funds. The funds were received on 23 June and reconciliation was done on 1st July and money transferred on 2nd. As at 30th June 2025 the money had not been transferred and therefore recognized as revenue.

#### **Committee Observation**

718. The Committee observed that the development funds were channeled through the Institute's accounts following Ministry disbursement and directive. The funds were received on 23 June, reconciled on 1 July, and transferred on 2 July and were appropriately recognized as revenue as at 30 June 2025 thus the matter is resolved.

#### **7.2.7 Use of Personal Emails for Official Communication**

719. Audit established that the Polytechnic staff continue to use personal email accounts to transmit official information, including administrative, financial and student-related correspondence. This is contrary to the Head of Public Service directive requiring migration to Government-managed email domains. The continued use of personal emails circumvents institutional ICT controls, exposes sensitive data to unauthorized access and undermines accountability as such communications are not centrally monitored or archived.

720. In the circumstances, the Polytechnic is exposed to risks of data leakage and breach of confidentiality.

#### **Management Response**

721. The Institute did not have a domain email but secured one in the month of September and the management instructed staff to comply with the recommendations and directive of the Government.

### ***Committee Observation***

722. The Committee observed that the Institute had since acquired a domain email and issued a directive requiring staff to comply with Government communication requirement thus the issue is resolved.

### **7.2.8 Lack of ICT Strategy Committee**

723. Review of the Polytechnic's governance documentation and information provided revealed that as at 30 June, 2025 the Polytechnic did not have in place ICT Strategic Committee which is important in aligning ICT Strategy with the Organization's Strategy to ensure the achievement of the Organization's goals and growth.

724. In the circumstances, the Polytechnic is exposed to gaps in ICT governance that might affect ICT management dispensing the department's mandate.

### **Management Response**

725. In line with the recommendation, management has appointed an ICT Strategic committee for the F/Y 2025/2026.

### ***Committee Observation***

726. The Committee observed that the institution has since appointed an ICT Strategic Committee, thus the issue is resolved.

### **7.2.9 Gaps in Business Continuity and Disaster Recovery Plan**

727. Review of records provided revealed that the Polytechnic maintained a combined document of Business Continuity and Disaster Recovery Planning, of which much is focused on the disaster recovery limiting establishment of the Polytechnic preparedness in terms of business continuity in case of a disaster. Business Continuity Planning (BCP) involves the process of building a set of systems that prevent and recover the business operating procedures from potential threats.

728. In the absence of business continuity comprehensive work plan, the Institution may not proceed in operation in case of disruption of critical business functions.

### **Management Response**

729. Management has facilitated the establishment of a committee on business continuity to ensure all the relevant stakeholders are incorporated.

### ***Committee Observation***

730. The Committee observed that the institution has established a committee on business continuity, thus the issue is resolved.

### **7.2.10 Lack of System Ownership**

731. The Institute procured a Human Resource and Payroll Management System from ABNO Unisol. However, review of system ownership and control revealed that the vendor did not surrender the administrator credentials for the database to the Institution. As a result, the Institute had no direct control over its database, relying entirely on the vendor for system administration, updates, modifications and troubleshooting. This lack of access restricts the Institution's ability to independently manage its data, conduct system customizations or implement security measures without vendor intervention. Further, such dependency poses significant operational, security and financial risks including potential delays in system updates, increased costs for modifications and vulnerability to data manipulation or loss.
732. In these circumstances, the ownership and value for money of the system was in doubt.

#### **Management Response**

733. In relation to the audit query, management liaised with the system provider who responded as follows

#### **Perpetual License Ownership**

734. The Nairobi National Polytechnic procured ABN Unisol ERP under a perpetual license agreement.

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

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

### **7.2.11 Lack of Data Protection Officer (DPO) and Certification on Data Processing and Control**

736. Review of the Institute's data management processes revealed that the Institution had not appointed a Data Protection Officer (DPO) as required under the Data Protection Act, 2019. Further, the Institute had not obtained certification on data processing and control, raising concerns over compliance with legal and regulatory requirements for handling personal and sensitive data.
737. In the circumstances, the Institution is exposed to non-compliance with data protection regulations, potential data breaches and unauthorized access.

#### **Management Response**

738. The Polytechnic has been registered as a Data controller. It has appointed a Data Protection Officer in line with the Data Protection Act, 2019.

### ***Committee Observation***

739. The Committee observed that the institution currently has a data controller in line with the Data Protection Act, 2019 thus the issue is resolved.

#### **7.2.12 Unrestricted System Administrator Access**

740. Review of the system access controls of the Institute revealed that the System Administrator has user rights across all modules, including finance, human resource, procurement and student management. This level of unrestricted access presents a significant internal control weakness, as it increases the risk of unauthorized data modifications, financial fraud and loss of data integrity.

741. The lack of proper access control increases the likelihood of fraudulent activities including unauthorized system adjustments, financial misstatements and tampering with student records.

### ***Management Response***

742. The access was originally granted to facilitate system configuration, maintenance, and user support.

743. To address this control weakness, management has reviewed system administrator roles. Access rights is limited strictly to technical and system support functions, while functional access to finance, human resources, procurement, and student management modules is assigned only to authorized users based on their job responsibilities.

### ***Committee Observation***

744. The Committee observed that management has since reviewed administrator roles and restricted access rights to technical functions, while operational modules are accessible only to authorized users thus the issue is resolved.

#### **7.2.13 Failure to update fixed assets register**

745. The statement of financial position reflects property, plant and equipment balance of Kshs. 4,688,446,197 as disclosed in Note 28 to the financial statements. Review of asset additions revealed that the register was not updated to reflect the dates of acquisition, serial numbers or asset locations. Further, the 10% depreciation rate applied to intangible assets is not provided for in the finance policy manual.

746. In the circumstances, effectiveness of internal controls in asset management could not be confirmed.

### **Management Response**

747. Management appreciates the audit observation. In line with this, management has constituted Asset verification, update and tagging committee to ensure all assets are accurately recorded with complete details, including acquisition dates, serial numbers, locations, and cost information in the current financial year 2025/2026. Periodic physical verification of assets will also be instituted to confirm the existence and condition of recorded assets.
748. The Finance Policy Manual has been reviewed and updated to define depreciation rates for intangible assets in line with accounting standards.

### ***Committee Observation***

749. The Committee observed that the efforts made by the institution to update the fixed asset register and encouraged management to continue complying with the applicable accounting standards thus the matter is resolved.

## **8.0 TAITA TAVETA NATIONAL POLYTECHNIC**

750. Mr. Shaw F. Kalama, the Principal, was accompanied by Mr. Nashon Muchemi, the Finance Officer appeared before the Committee to adduce evidence on the audited accounts of Taita Taveta National Polytechnic, on 10<sup>th</sup> February, 2026.

### **8.1 Audited Statements for Financial Year 2022/23 (Adverse Opinion)**

#### **8.1.1 Cash and Cash Equivalentents**

751. The statement of financial position and Note 16 to the to the financial statements reflect a balance of Kshs. 40,423,214 in respect of cash and cash equivalentents. Review of bank reconciliation statements for the three (3) bank accounts reflects deposits in the bank statement not in the cash book totalling to Kshs.475,570 However, no explanation was provided for failure to capture the transactions in the cash book as recorded in the bank reconciliation statements.

#### **Management Response**

752. Management acknowledged the audit observation. The deposits related to monies paid by students and other organizations who failed to submit bank slips for receipting on time. However, the amount of Kshs. 476,570 was recognized in the subsequent months i.e. July, August & September 2023.

#### **Committee Observations**

753. The Committee observed that, the receipts submitted have been verified by the auditor. However, the entity had not supplied the subsequent cashbook extracts and Bank reconciliation statements.

#### **Committee Recommendations**

754. The Committee recommends that management should provide subsequent cashbook extracts and Bank reconciliation statements within three (3) months of adoption of this report by the House, and the Auditor-General shall confirm and report on compliance in the FY 2025/26 audit cycle.

#### **8.1.2 Inaccurate General Ledger and Trial Balance**

755. The statement of financial position reflects total assets and total net assets and liabilities of Kshs. 982,826,485. However, review of the general ledger and trial balance shows that all the items in the statement of financial position were omitted, and the general ledger was not Updated. Further, the trial balance as at 30 June 2023 erroneously includes the opening balances of cash and cash equivalentents as at 1 July, 2022 of Kshs. 29,021,442 held in seven (7) bank accounts.

### **Management Response**

756. Management agrees with the audit findings. Further, management has attached the trial balance.

### ***Committee Observations***

757. The Committee observed that although Management claimed to have submitted the trial balance and general ledgers, the Auditor confirmed that this was not the case.

### ***Committee Recommendations***

758. The Committee recommends that management to furnish the updated general ledger and trial balance, including reconciliations of cash and cash equivalents, for audit verification within one (1) month of adoption of this report by the House. The Auditor-General shall report on the adequacy of these documents in the FY 2025/26 audit cycle.

759. Failure to comply will be deemed a serious lapse in financial accountability, warranting disciplinary action against the Accounting Officer for negligence in maintaining accurate financial records.

### **8.1.3 Inaccurate Balance for Receivables from Exchange Transactions**

760. The statement of financial position and notes 17 to the financial statement reflects current position of receivables from exchange transactions of Kshs.283,465,766. Review of the balance as reported in the previous year shows that receivables totalling Kshs.35,176,307 had been outstanding for over three (3) years.

However, the balance was omitted from the current year's closing balance, and no evidence was provided to show that the amount was received in full or written off as bad debts during the year.

### **Management Response**

761. Management noted the observation. Management realized the error and it was adjusted in the subsequent year i.e., FY 2023-2024 showing the Kshs.35m was included.

### ***Committee Observations***

762. The Committee observed that, the extract attached is for the year then ended June 2024.

763. Audited Financial statement should not be restated retrospectively.

### ***Committee Recommendations***

764. The Committee recommends that management should provide evidence of collection or formal approval of write-off of the Kshs.35,176,307 outstanding receivables and ensure that future financial statements comply with IPSAS requirements by accurately reflecting

receivables without retrospective restatements. The Auditor-General should verify and report on the adequacy of these adjustments in the FY 2025/26 audit cycle.

#### **8.1.4 Capitalization of Non-qualifying Assets.**

765. The entity's finance policy states that qualifying assets whose values fall below Kshs.10,000 are not to be capitalized but recognized as part of the institute's inventory. However, a total of 31 items from the list of additions during the year with a cumulative value of Kshs.192,475 each costing below Kshs.10,000 were capitalized against the Institute's finance policy.

##### **Management Response**

766. Management agrees with the audit findings. Management regrets the error and has since corrected in the subsequent year FY 2024-2025 where assets of value above Kshs.10,000 are the only ones recognized.

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

767. The Committee observed that, the error cannot be rectified but future treatments will be monitored.

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

768. The Committee recommends that management should strictly adhere to the finance policy by ensuring that only qualifying assets above Kshs.10,000 are capitalized, while those below the threshold are treated as inventory. The Auditor-General should monitor compliance and report in the FY 2025/26 audit cycle.

#### **8.1.5 Application of Incorrect Depreciation Rates**

769. The Institute's finance policy stipulates specific depreciation rates which should be applied to determine depreciation charge on fixed assets. However, it was noted that Management applied erroneous depreciation rates from those in the finance policy on plant and equipment and motor vehicles at 15% and 20% instead of 10% and 25% respectively. The use of incorrect rates. Resulted to overstatement of depreciation of plant and machinery by Kshs.4,626,060 and understatement of motor vehicles by Kshs.418,666 resulting to overall misstatement of property, plant and equipment by Kshs.4,207,064.

##### **Management Response**

770. Management agrees with the audit findings. The Management regrets the error and has since corrected and applied the correct depreciation rates in the subsequent years FY 2024-2025 as per extract of Property, Plant and Equipment (PPEs) schedules.

### ***Committee Observations***

771. The Committee observed that, the errors may not be rectified on the specific financial statements, but the carry over effects of error should be determined and reflect under FY 2025/2026.

### ***Committee Recommendations***

772. The Committee recommends that, management to demonstrate how the carry-over effects of the depreciation errors will be amended and restated in the financial statements for FY 2025/26. The Auditor-General should verify and report on the adequacy of these adjustments in the next audit cycle.

#### **8.1.6 Omission of Library Books from the Assets**

773. The balance of property, plant and equipment excludes an unknown value of books held in the institute's library. Management explained that the value of books has never been determined or estimated for financial reporting purposes.

### **Management Response**

774. The management agreed with the audit findings. Some of the textbooks were acquired a long time ago, while others were donations, making it difficult to determine their actual cost. The IPSAS on Library materials was not clear then on how to recognize but currently Textbooks are recognized as PPEs as per IPSAS 17 which allow recognition as long the materials are controlled by the institution, are used over several years and their aggregate cost or fair value can be determined. Textbooks procured in recent years were recognized as assets. Management is committed to conducting a valuation of the old textbooks and ensure their values are capitalized. This is subject to availability of funds.

### ***Committee Observations***

775. The Committee observed that the omission of library books from the asset register has resulted in incomplete reporting of property, plant, and equipment.

### ***Committee Recommendations***

776. The Committee recommends that management to undertake a valuation of all library books, including donated and older materials, and ensure their values are capitalized in compliance with IPSAS 17. The Auditor-General should verify and report on the adequacy of this exercise in the FY 2025/26 audit cycle. Failure to comply will be deemed a lapse in asset management and financial reporting, warranting accountability measures against the Accounting Officer.

### **8.1.7 Overstatement of use of Goods and services Expenses**

777. The statement of financial performance and note 11 to the financial statements reflect Kshs.164,095,458 in respect of use of goods and services expenses. However, the expenditure includes Kshs.315,405 relating to the financial year 2021/2022 erroneously reported as expenditure for the current financial year contrary to the accrual basis of accounting used to prepare the financial statements.

#### **Management Response**

778. The management noted the audit observation. The management regret the error where the expenditure was misclassified. However, this error was corrected and the figure of Kshs.315,405 was recognized as Trade payables in the financials.

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

779. The Committee observed that financial statements cannot be restated retrospectively once an audit certificate has been issued. Instead, Management should demonstrate how the carry-over effects of the identified error impact subsequent financial years.

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

780. The Committee recommends that management to provide a clear reconciliation showing the impact of the Kshs.315,405 misclassification on subsequent financial years and ensure that future financial statements comply fully with accrual accounting principles. The Auditor-General shall verify and report on the adequacy of these adjustments in the FY 2025/26 audit cycle.

### **8.1.8 Unsupported Expenditure on Use of Goods and Services**

781. The statement of financial performance and note 11 to the financial statements reflects expenditure of Kshs 164,083,055 on use of goods and services. The amount includes Kshs.643,000 which was not supported by payment vouchers, invoices, delivery notes, receipts and stores invoice vouchers.

#### **Management Response**

782. The management noted the audit observation. However, the management provided support documents for the said amount of expenditure during audit review. The management has resubmitted it again.

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

783. The Committee observed that, following the Auditor's review of the submitted supporting documentation, the matter has been satisfactorily addressed. Although no recommendation is issued at this stage, the Committee cautions the responsible officers to ensure timely

submission of all supporting documents during the audit cycle, as any future lapses in compliance will attract stringent sanctions against the culpable officers.

#### **8.1.9 Encroachment on Institutes Land**

784. The statement of financial position and note 18 to the financial statements reflects property, plant and equipment balance of Kshs.126,000,000 in respect to land measuring approximately 42 acres. However, review of records and discussion with management, revealed that a portion of the land has been encroached by squatters.

#### **Management Response**

785. The management acknowledges the audit finding. Management has committed to continue pursuing all appropriate legal, administrative, and stakeholder engagement channels to secure the Polytechnic's land. Supporting documents are attached as evidence of the efforts taken by the management.

#### **Committee Observations**

786. The Committee observed that, management is making progress in having the issue addressed as evidenced by documentary proof of the management efforts in regard to finding a solution for the encroached land.

#### **Committee Recommendations**

787. The Committee recommends that management to intensify efforts to resolve the encroachment, including pursuing legal remedies and collaborating with relevant government agencies to protect the institution's land. The Auditor-General shall report on the status of these efforts in the FY 2025/26 audit cycle.

### **8.2 Audited Statements for Financial Year 2023/24 (Qualified Opinion)**

#### **8.2.1 Unexplained Variances in the Financial Statements**

788. Revenue from rendering of services/fees from students was reported as Kshs.189,085,549 in the Statement of Financial Performance and Note 7, while the Statement of Cash Flows reflected receipts of Kshs.194,527,315. Although student debtors increased by Kshs.1,428,871 during the year, there remained unexplained cash inflows amounting to Kshs.4,012,895 whose source was not disclosed.

789. In addition, accrued expenses for use of goods and services amounting to Kshs.148,189,478, together with settlement of prior year trade payables of Kshs.3,107,228, totalled Kshs.151,296,706.

790. However, the Statement of Cash Flows reported payments for use of goods and services amounting to Kshs.181,303,961, resulting in an unexplained overpayment of Kshs.30,007,255.

### **Management Response**

791. The receipts disclosed in the statement of cash flows were initially reported on an accrual basis rather than as cash receipts. Management regrets the error and will endeavour to reflect the correct basis.

792. Rendering of services/student fees: The variance between rendering of services from students amounting to Kshs. 189,085,549 as reported in the statement of financial performance and cash inflows of Kshs. 194,527,315 as reported in the statement of cash flows arose from timing differences under the accrual basis of accounting, including collections relating to prior-year student arrears and advance payments.

793. Use of goods and services: The variance between accrued expenses for use of goods and services amounting to Kshs. 148,189,478 together with settlement of prior-year trade payables of Kshs. 3,107,228, and cash payments for use of goods and services amounting to Kshs. 181,303,961 arose from timing differences, advance payments, and classification issues during preparation of the cash flow statement.

### **Committee Observations**

794. The Committee observed that Management did not provide a reconciliation note despite presenting the cash flow statement using the direct method. The Committee further observed that this matter can only be fully addressed if Management prepares a carry-over restatement and clearly demonstrates its impact on subsequent financial statements.

### **Committee Recommendations**

795. The Committee recommends that Management prepare a detailed reconciliation note and undertake a carry-over restatement of the affected financial statements to address the unexplained cash flow variances. Management should submit the revised documentation to the Auditor-General within one (1) month of the House's adoption of this Report.

The Auditor-General is further required to report on this matter in the next audit cycle for FY 2025/26.

#### **8.2.2 Understated Board Expenses**

796. The statements of financial performance and Note 13 to the financial statements reflects director's emoluments of Kshs.6,945,620. However, the amounts posted in the ledger are net of taxes thus understating the expenses.

### **Management Response**

797. The director's expenses were within the approved budget; the variance arose because the expenses were recorded net of taxes, with the related taxes posted separately and included under employees' costs. Management regrets the error and no longer separate tax as an expense.

### **Committee Observations**

798. The Committee observed that Management failed to maintain proper books of accounts as required under Section 68(2) of the Public Finance Management Act, 2012, due to the error cited above. The Committee further noted that the correct accounting position is that all expenses should be reported inclusive of the 30 percent PAYE tax.

### **Committee Recommendations**

799. The Committee recommends that, within three (3) month of the House's adoption of this Report, Management restate the directors' emoluments to reflect gross amounts inclusive of PAYE and ensure that the resulting adjustments are incorporated into the subsequent year's financial statements. The Auditor-General should report on the implementation of this directive in the next audit cycle for FY 2025/26.

800. Further, the Committee reprimands the then Accounting Officer for failing to comply with Section 68(2) of the Public Finance Management Act, CAP 412A.

### **8.2.3 Unconfirmed Cash and Cash Equivalents**

801. The statement of financial position and Note 16a to the financial statements reflects cash and cash equivalents of Kshs.45,438,270. Review of the cashbooks and bank reconciliation statements revealed several unexplained variances.

### **Management Response**

802. This error arose due to the failure of the ERP system which picked different closing balances during the day of audit. The figures reflected in the financial statement are the correct closing balances as per attached bank certificates. To avoid reoccurrence of this the management opted and introduced manual cash books.

### **Committee Observations**

803. The Committee observed that Management failed to provide an adequate explanation for the variances, offering only the causes rather than a full variance analysis. The Committee further noted that Management's assertion that reverting to a manual system is preferable is unfounded, as manual systems are inherently more prone to errors and inefficiencies.

### ***Committee Recommendations***

804. The Committee recommends that, within three (3) month of the House's adoption of this Report, Management carry out full variance analysis and submit the results to the Auditor for verification and report.
805. Further, the Committee reprimands the then Accounting Officer for failing to comply with Section 68(2) of the Public Finance Management Act, CAP 412A.

#### **8.2.4 Unsupported Depreciation Charge**

806. The statement of financial position and Note 18 to the financial statements reflects property, plant and equipment net book value of Kshs.631,204,023 after depreciation charge of Kshs.26,051,051. The Polytechnic Finance Manual provides for depreciation rates for plant and machinery, and motor vehicle of 10% and 25%, respectively. However, the rates used to compute the depreciation are 15% and 20%.
807. Further, the policy requires that the Polytechnic applies straight line basis of depreciation, but the basis applied to calculate the depreciation is the reducing balance method thus contravening the policy.
808. Additionally, the policy requires capitalization of qualifying assets above Kshs.15,000 while additions during the year includes items below Kshs.15,000 in contravention of the policy.

### **Management Response**

809. Management agrees with the audit findings. The Management regrets the error and has since corrected and applied the correct depreciation rates in the subsequent years FY 2024-2025 as per extract of Property, Plant and Equipment (PPEs) schedules.

### ***Committee Observations***

810. The Committee observed that Management failed to apply depreciation methods consistently, thereby contravening the entity's own depreciation policy. The Committee further noted that Management did not explain how the inconsistencies would be rectified in subsequent financial years.

### ***Committee Recommendations***

811. The Committee recommends that, within three (3) month of the House's adoption of this Report, Management restate the depreciation charges to ensure full compliance with the Polytechnic Finance Manual, apply consistent depreciation methods and rates, and exclude non-qualifying assets. The revised depreciation schedule should be submitted to the Auditor-General for verification and reporting.
812. Further, the Committee reprimands the then Accounting Officer for contravening the Polytechnic's Depreciation Policy.

### **8.2.5 Budgetary Control and Performance**

813. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.743,994,000 and Kshs.344,585,495 respectively, resulting to an under-funding of Kshs.399,408,505, or 54% of the budget. Similarly, the Polytechnic spent a balance of Kshs.307,393,815 against actual receipts of Kshs.344,585,495, resulting to an under-utilization of Kshs.37,191,680, or 11% of the actual receipts.
814. The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

#### **815. Management Response**

816. The management acknowledges the audit findings. Further, the underfunding was caused by poor payment of school fees and failure by the government to remit scholarship and development funds which in the long run affected expenditure.

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

817. The Committee observed that the under-funding level of 54% is excessively high. The Committee further noted that the persistent poor fee payment is attributable to Management's failure to implement and enforce a strict fee collection policy to ensure timely remittances. With respect to the Government's delayed disbursement of scholarship and development funds, the Committee notes there is need for the Ministry of Education and the National Treasury to ensure that the Institutions are well facilitated by timely release of exchequer to ensure smooth implementation of planned activities.

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

818. The Committee recommends that, within three (3) months of the House's adoption of this Report, Management should develop and implement a strict fee collection policy to ensure timely remittances. The Auditor-General should report on the implementation of this directive in the next audit cycle for FY 2025/26.

### **8.2.6 Non- Compliance with National Cohesion and Integration Act**

819. Review of human resource records of the Polytechnic staff revealed that forty-eight (48), or 69% out of seventy (70) members of staff were from the same ethnic group, contrary to Section 7(1) of the National Cohesion and Integration Act, 2008.

#### **Management Response**

820. The management acknowledges the audit findings. Most of these staff members were employed a long time ago. In recent years, management has taken deliberate steps to ensure

that all new recruitments comply with the legal requirements as evidenced by the payroll extract attached.

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

821. The Committee observed that, management is making deliberate efforts to ensure compliance with National Cohesion and Integration Act, 2008.

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

822. The Committee recommends that Management develop and implement a clear recruitment and staffing plan that ensures compliance with Section 7(1) of the National Cohesion and Integration Act, 2008, by progressively achieving ethnic diversity within the Polytechnic's workforce.

823. Management should also submit periodic reports to the Auditor-General detailing the institution's ethnic staffing composition and the corrective measures undertaken to address identified imbalances for review and reporting.

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

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

824. The statement of financial position and Note 17 to the financial statements reflects receivables from exchange transactions of Kshs.288,633,074 comprising student debtors and trade debtors of Kshs.285,153,678 and Kshs.3,465,896 respectively. Audit review of the age analysis revealed that Kshs.106,266,956 or 38% and Kshs.87,080,444 or 31% have been in existence for over 2 years and 3 years respectively. However, Management did not provide the recoveries efforts in place to recover the escalating debts or provide for provision of bad and doubtful debts.

#### **Management Response**

825. The amount Kshs.193,347,400 recorded as receivables from exchange transactions resulted from the government failure to disburse funds for both capitation and scholarship. Students applied for HELB but the amount was never disbursed to the Polytechnic leading to increased fees balance. Further, the management was also restricted from denying student services to recover fees. To ensure recovery of the receivables, the management has tirelessly made follow up with the relevant agencies including, Ministry of education, HELB, and also advised students to apply for bursaries.

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

826. The Committee observed that Management is making commendable progress in collecting outstanding receivables. However, the Committee noted the need for Management to develop a formal impairment policy for irrecoverable debts, as well as a clear policy

framework for handling cases of students who have completed their studies but still have outstanding arrears.

### ***Committee Recommendations***

827. The Committee recommends that Management continue its efforts to recover outstanding receivables and develop a formal impairment policy for irrecoverable debts, as well as a clear policy for addressing cases of students who have completed their studies but still have outstanding arrears. The Auditor-General should report on the implementation of this directive in the next audit cycle for FY 2025/26.

### **8.3.2 Budgetary Control and Performance**

828. The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts on a comparable basis amounted to Kshs.789,720,125 and Kshs.194,504,093 respectively resulting in underfunding of Kshs.595,216,032 or 75% of the approved budget. Similarly, the statement reflects total expenditure of Kshs 210,458,975 against actual revenue of Kshs 194,504,093 resulting in over expenditure of Kshs 15,954,882 or 8% of the actual revenue.

### ***Management Response***

829. The underfunding was caused by poor payment of school fees and failure by the government to remit scholarship and development funds which in the long run affected expenditure.

#### **Expenditure:**

830. The budget was Kshs. 789,720,125 however Kshs 210,458,975 was utilized resulting to over expenditure of Kshs.15,954,882 or 8% of the actual revenue.

### ***Committee Observations***

831. The Committee observed that the underfunding of Kshs.595,216,032 (representing 75% of the approved budget) is extremely high and directly correlates with the steady increase in Receivables from Exchange Transactions.

832. The Committee further observed that this issue has recurred from the previous financial year and therefore reiterates the recommendations previously issued on this audit matter.

### **8.3.3 Prior Year Audit Issues**

833. In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Polytechnic in 2024/2025 revealed that the following five (5) issues remained unresolved;

### **Management Response**

834. The Committee noted that Management acknowledged the audit finding and has already provided a response in the FY 2023/2024 report, which is currently awaiting Parliamentary review.

### ***Committee Observations***

835. The Committee observed that, the mentioned issues are covered in the previous FYs contained in this Report. Accordingly, the Committee reiterates its earlier recommendations on the affected audit matters.

#### **8.3.4 Cleaning Services not in the Approved Procurement Plan**

836. During the year under review of the contract for cleaning services valued Kshs.4,799,760 awarded during the year was not included in the approved annual procurement contrary to Section 53 (2) of Public Procurement and Asset Disposal Act, 2015 which requires that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

### **Management Response**

837. The management acknowledges the audit findings. However, the management states that, the contract was awarded towards the end of the financial year (May 2025). The provision for cleaning services was budgeted for under Boarding Equipment and Stores (BES).

### ***Committee Observations***

838. The Committee observed that, Management was in breach of Section 53 (2) of Public Procurement and Asset Disposal Act, 2015.

### ***Committee Recommendations***

839. The Committee reprimands the Accounting Officer for failing to comply with Section 53(2) of the Public Procurement and Asset Disposal Act, 2015.

#### **8.3.5 Encroachment on the Polytechnic Land**

840. The statement of financial position and Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.613,803,842. The balance includes Kshs.126,000,000 in respect of land. The Polytechnic is built on 42 acres piece of land under title number C.R.9710 which has however been illegally encroached by private individuals who have constructed structures on the land hindering the construction of perimeter wall on the encroached section of the land. However, no eviction has been carried out efforts in order to reclaim the encroached section.

### **Management Response**

841. The management acknowledges the audit finding, that part of its land is encroached by private individuals (Squatters). Management has committed to continue pursuing all appropriate legal, administrative, and stakeholder engagement channels to secure the Polytechnic's land as evidenced by the attached correspondences with the relevant stakeholders.

### **Committee Observations**

842. The Committee observed that, despite Management's efforts, the squatters are still occupying the land.

### **Committee Recommendations**

843. The Committee recommends that Management:

- (i) In collaboration with the Ministry of Lands and the National Land Commission, urgently initiate the necessary legal and administrative processes to reclaim the encroached portion of the Polytechnic's land under Title No. C.R. 9710;
- (ii) Prepare and submit to the Auditor General a comprehensive action plan outlining timelines, responsible agencies, and key milestones for securing the land, including the eviction of illegal occupants and the construction of a perimeter wall to safeguard the institution's property for review.

### **8.3.6 Lack of Ownership Document for Motor Vehicle**

844. The statement of financial position and Note 19 to the financial statements reflect property, plant, and equipment of Kshs.613,803,842, which includes Kshs.4,544,074 in respect of motor vehicles. Review of motor vehicle ownership documents revealed that the Polytechnic's motor vehicle, registration number KCQ 246N, purchased for mechanical practical on 17 November 2023 at a cost of Kshs.590,000, had no logbook. No explanation was provided for this anomaly.

### **Management Response**

845. The management acknowledges the audit findings. The management hereby confirms that, the motor vehicle, registration number KCQ 246N, was purely purchased for Automotive Engineering Department practical lessons. This motor vehicle does not go out of the Polytechnic compound or used for any other purposes other than training the Automotive Engineering students. The motor vehicle was bought from an individual who later relocated overseas. However, the management has made follow up with the NTSA and Kenya Revenue Authority on the registration of the motor vehicle. The Polytechnic has since obtained the Logbook (*Logbook no. N8209483M*) registered under the name Taita Taveta National Polyethnic.

### *Committee Observations*

846. Having examined the supporting documentation submitted, the Committee was satisfied that the matter has been duly addressed. Accordingly, no recommendation is issued on this matter.

## 9.0 NYAMIRA NATIONAL POLYTECHNIC

847. Mr. James Kinara, Principal, accompanied by;

- i. CPA Mouti Rebecca - Finance Officer
- ii. Mr. Evans Ngasora - Human Resource Officer
- iii. Mr. Edwin Abuti - Accountant

appeared before the Committee to adduce evidence on the audited accounts of Nyamira National Polytechnic.

### 9.1 Audited statement for Financial Year 2022/2023

#### Opinion: Qualified

##### 9.1.1 Inaccuracy of Transfers from Other National Government Entities

848. The statement of financial performance reflects transfers from other National Government entities of Kshs 54,000,000, while Note 6 reflects capitation grants of Kshs 20,800,000, resulting in an unexplained variance of Kshs 33,200,000.

#### Management Response

849. Management explained that the variance arose due to differences in financial presentation. The statement of financial performance was prepared on an accrual basis in accordance with IPSAS 1, while Note 6 reflected the actual cash received during the year amounting to Kshs 20,800,000. The balance of Kshs 33,200,000 relates to receivables from non-exchange transactions.

#### Committee Observation

850. The Committee observed that the variance between the financial statements and Note 6 indicated inaccuracies in financial reporting which undermines reliability of the financial statements and is contrary to **IPSAS 1 on Presentation of Financial Statements**, which requires accurate and consistent financial reporting.

#### Committee Recommendation

851. The Committee recommended management to ensure that errors in the financial statements are corrected during the audit cycle.

##### 9.1.2 Inaccuracy in Current Portion of Receivables from Exchange Transactions

852. The statement of financial position reflects receivables from exchange transactions of Kshs 55,201,061. However, explanatory notes and ageing analysis were not disclosed. Further, the balance differs from the receivables of Kshs 52,440,594 disclosed in Note 27(d), resulting in a variance of Kshs 2,760,467. In addition, provision for impairment of receivables was not made.

### **Management Response**

853. Management indicated that explanatory notes and an ageing analysis of receivables from exchange transactions were subsequently prepared and disclosed. The discrepancy in the receivable balances was corrected in the revised financial statements.

### ***Committee Observation***

854. The Committee observed that failure to provide an ageing analysis of receivables and the existence of unexplained variances undermined proper monitoring and recovery of public funds which is contrary to Section 68(1) of the Public Finance Management Act, 2012, which requires accounting officers to ensure proper management of financial records and public resources.

### ***Committee Recommendation***

855. The Committee recommended management to ensure that financial statement errors are corrected during the audit cycle and that receivable balances are properly reconciled and supported.

### **9.1.3 Inaccuracy in Current Portion of Receivables from Non-Exchange Transactions**

856. The statement of financial position reflects receivables from non-exchange transactions of Kshs 33,200,000, while Note 19 reflects Kshs 30,200,000, resulting in an unexplained variance of Kshs 3,000,000. Further, provision for impairment and ageing analysis of receivables were not disclosed.

### **Management Response**

857. Management reported that Note 19 was corrected in the revised financial statements to align the balances. In addition, an ageing analysis of receivables from non-exchange transactions was prepared and disclosed.

### ***Committee Observation***

858. The Committee observed that inconsistencies between the financial statements and supporting notes indicate weaknesses in financial reporting controls which is contrary to IPSAS 1 on Presentation of Financial Statements, which requires consistency and accuracy in financial disclosures.

### ***Committee Recommendation***

859. The Committee recommended that management to ensure that financial statement errors are identified and corrected during the audit process to avoid inconsistencies in future financial reports.

#### **9.1.4 Inaccuracy in Accumulated Surplus Balance**

860. The statement of financial position reflects accumulated surplus of Kshs 61,705,870, which includes a transfer of depreciation amounting to Kshs 21,213,891 as reflected in the statement of changes in net assets. However, the transfer was not explained or supported.

##### **Management Response**

861. Management explained that the transfer resulted from audit adjustments made during the financial reporting process and was reflected in the statement of changes in net assets.

##### **Committee Observation**

862. The Committee noted that the matter had been satisfactorily addressed.

#### **9.1.5 Inaccuracy of Capital Fund Balance**

863. The statement of financial position reflects capital fund of Kshs 549,351,753, which includes transfer of depreciation amounting to Kshs 23,985,989 as reflected in the statement of changes in net assets. However, the transfer was not explained or supported.

##### **Management Response**

864. Management explained that the transfer related to assets recorded under property, plant and equipment, including computers and a college bus received by the institution through Constituency Development Fund (CDF) support.

##### **Committee Observation**

865. The Committee observed that the transfer of depreciation to the capital fund was not adequately supported by documentation which undermines the reliability of financial reporting and is contrary to IPSAS 17 on Property, Plant and Equipment, which requires proper disclosure and supporting documentation for asset-related transactions.

##### **Committee Recommendation**

866. The Committee recommended that the management should ensure that all financial statement entries are supported by adequate documentation during the audit process.

#### **9.1.6 Budgetary Control and Performance**

867. The statement of comparison of budget and actual amounts reflects final budgeted income of Kshs 129,746,082 and actual income of Kshs 66,394,865, resulting in under-funding of Kshs 63,351,217. Further, actual expenditure amounted to Kshs 76,093,330 against receipts of Kshs 66,394,865, resulting in over-expenditure of Kshs 9,698,465, which was not explained and may have been irregular.

### **Management Response**

868. Management explained that the under-performance resulted from failure by the Government to remit the full capitation and HELB grants expected during the year. Management further stated that most students come from vulnerable families and were unable to raise school fees. The apparent over-expenditure was attributed to closing bank balances amounting to Kshs 19,106,316 brought forward from the previous financial year and utilized during the year under review.

### ***Committee Observation***

869. The Committee observed that the institution experienced significant under-collection of revenue and under-expenditure of the approved budget due to non-receipt of capitation funds from the parent Ministry, which affected implementation of planned activities. The Committee noted that this was a capitation matter affecting several institutions.

870. The Committee further observed that learning institutions were over-reliant on the government capitation and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

871. The Committee recommends the Ministry of Education should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.

872. Further, the committee recommends that the Institutions be encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

#### **9.1.7 Encroachment of Land**

873. The statement of financial position reflects property, plant and equipment totaling Kshs 510,831,645, including land valued at Kshs 91,400,000. However, physical verification revealed that part of the land has been encroached upon by members of the public through unauthorized structures and farming activities.

### **Management Response**

874. Management indicated that the matter involves irregular subdivision and possible fraudulent land dealings. The institution reported that it is pursuing legal and administrative measures in collaboration with the Land Registrar's Office to regularize boundaries, revoke irregular mutations, enforce evictions and secure the land.

### ***Committee Observation***

875. The Committee observed that encroachment on institutional land exposes public assets to loss and is contrary to Section 68(1)(e) of the Public Finance Management Act, 2012, which requires accounting officers to safeguard public assets.

### ***Committee Recommendation***

876. The Committee recommended that the management should expedite the legal process and ensure that the institution acquires and secures the land title within one (1) year.

#### **9.1.8 Lack of Internal Audit Function**

877. Review of the institution's records revealed that the college had not established an internal audit function to provide oversight of management operations.

### **Management Response**

878. Management stated that the college has an internal audit department in place but is currently undertaking capacity-building measures to strengthen the staff and ensure the department operates in accordance with the required standards.

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

879. The Committee noted that the issue had been resolved since the institution had a functional audit.

## **9.2 Audited Financial Accounts for the year 2023/ 2024**

### **Opinion: Qualified**

#### **9.2.1 Inaccuracies in the Financial Statements**

880. Several inconsistencies were noted in the financial statements and related reports, including differences between the Principal's Report, Statement of Financial Performance, Statement of Cash Flows, and Statement of Comparison of Budget and Actual Amounts. These included discrepancies in tuition fees collected, total revenue, total expenditure, finance costs, receivables balances, and figures presented in the table of contents.

### **Management Response**

881. Management explained that most of the variances arose due to differences in presentation and classification of financial information across the various statements. The Principal's Report combined tuition fees and other income to arrive at total revenue from exchange transactions, while the financial statements presented the components separately. In addition, the statement of financial performance was prepared on an accrual basis in

accordance with IPSAS 1, while the statement of cash flows reflected actual cash received during the year. Management indicated that some typographical errors were corrected and maintained that the figures reported in the financial statements were accurate.

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

882. The Committee observed that inconsistencies and unreconciled variances in the financial statements undermine the accuracy and fair presentation of the institution's financial records, which is contrary to **Section 193 of the Public Finance Management Act, 2012**, which requires public entities to prepare financial statements in accordance with prescribed accounting standards.

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

883. The Committee recommended that the management to ensure that all variances are properly reconciled and corrections effected through prior year adjustments in subsequent financial statements.

### **9.2.2 Variances Between the Financial Statements and the Payroll Amount**

884. The statement of financial performance reflects employee costs of Kshs. 27,172,816. However, variances were noted between the financial statements and payroll records in respect of salaries, statutory deductions, welfare deductions, loans, and SACCO contributions. As a result, the accuracy and completeness of employee costs could not be confirmed.

#### **Management Response**

885. Management explained that the differences arose due to several items included in the financial statements but not captured in the payroll system. These included outsourced security services, payments to part-time staff such as a nurse, and advances issued to newly recruited trainers which were later refunded. In addition, some statutory deductions and salaries for June 2024 had not been settled by the end of the financial year, contributing to the variance.

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

886. The Committee observed that there were variances between the employee costs reported in the financial statements and the payroll records in respect of salaries, statutory deductions, welfare deductions, loans and SACCO contributions. This indicates weaknesses in payroll reconciliation and financial reporting controls which may undermine the accuracy and completeness of employee costs reported in the financial statements and is contrary to Section 68(1) of the Public Finance Management Act, 2012, which requires accounting officers to ensure proper management of financial records and public resources.

### ***Committee Recommendation***

887. The Committee recommended that the management strengthens internal controls over payroll management by ensuring that payroll records are regularly reconciled with the financial statements and supported with appropriate documentation.
888. The Accounting Officer should institute periodic payroll reviews and reconciliations to prevent future variances and ensure accurate reporting of employee costs.

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

891. The statement of financial position reflects receivables from exchange transactions amounting to Kshs. 51,993,980, including fees arrears of Kshs. 29,401,815 which had been outstanding for more than one year. However, the measures taken by management to recover the debts were not disclosed, and no provision for impairment of bad and doubtful debts was made.

### **Management Response**

892. Management stated that measures had been put in place to recover outstanding student fees. These include requiring students to clear fees before registering for examinations, establishing a help desk to assist students with loan and scholarship applications, issuing circulars reminding students to clear outstanding balances, and formulating a debt management policy.

### ***Committee Observation***

893. The Committee observed that the institution had accumulated significant long outstanding receivables, indicating weaknesses in the collection strategy for student fees and debt management, which undermines effective financial management and is contrary to Section 68(1) of the Public Finance Management Act, 2012, which requires accounting officers to ensure proper management of public resources.

### ***Committee Recommendation***

894. The Committee recommended that the management should strengthen debt recovery mechanisms and enhance follow-up on capitation and scholarship disbursements from the government.

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

895. The statement of financial position reflects property, plant and equipment balance of Kshs. 490,546,197, including land valued at Kshs. 91,400,000. However, ownership documents

for the land were not provided for audit review. Further, the asset register had not been updated to reflect the net book values of assets as at 30 June 2024.

### **Management Response**

896. Management explained that the process of authentication and transfer of land ownership documents, including change of name, was ongoing and at an advanced stage. Management also indicated that the asset register had since been updated to reflect the correct net book values of the institution's assets.

### **Committee Observation**

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

#### **9.2.5 Delayed Completion of Library Building**

898. The statement of financial position reflects capital work in progress of Kshs. 26,304,361 relating to construction of a library building. The project, which commenced in April 2016, has stalled for over eight years due to lack of funds. The contractor was not on-site during verification, and the delay has affected the institution's ability to meet requirements for upgrading to a Polytechnic.

### **Management Response**

899. Management stated that the State Department of TVET under the Ministry of Education is following up on the release of development grants to facilitate completion of the project. The Government has since released Kshs. 2,500,000 towards the project, and management undertook to continue monitoring the disbursement of funds to ensure completion of the library.

### ***Committee Observation***

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

#### **9.2.6 Trade and Other Payables from Exchange Transactions**

901. The statement of financial position reflects trade and other payables amounting to Kshs. 6,844,884, including audit fees of Kshs. 1,740,000 and employee salary arrears of Kshs. 988,341. However, supporting documentation such as invoices was not provided for audit review.

### **Management Response**

902. Management explained that due to financial constraints during the year, the institution recorded pending bills including audit fees and salary arrears. Management indicated that

these obligations will be prioritized in the subsequent financial year's budget and that supporting documentation has since been provided.

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

903. The Committee observed that supporting documentation such as invoices for trade and other payables amounting to Kshs. 6,844,884 was not provided for audit review, which undermines verification of the liabilities reported in the financial statements and the accuracy of the pending bills.

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

904. The Committee recommended that the management ensures all trade and other payables are supported by adequate documentation such as invoices, payment vouchers and contracts, and that such records are readily available for audit review to enhance transparency and accountability in financial reporting.

### **9.2.7 Budgetary Control and Performance**

905. The statement of comparison of budget and actual amounts reflects revenue budget of Kshs. 154,819,838 and actual revenue of Kshs. 97,652,905, resulting in under-collection of Kshs. 57,166,933 or 37% of the budget. In addition, the Polytechnic recorded under-absorption of expenditure amounting to Kshs. 11,656,525.

#### **Management Response**

906. Management explained that the under-performance was mainly due to non-remittance of expected capitation funds and HELB grants by the Government. This affected both revenue collection and the implementation of planned expenditures.

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

907. The Committee observed that the institution experienced significant under-collection of revenue and under-expenditure of the approved budget due to non-receipt of capitation funds from the parent Ministry, which affected implementation of planned activities. The Committee noted that this was a capitation matter affecting several institutions.

908. The Committee further observed that learning institutions were over-reliant on the government capitation and did not exploit their own income generating internal capacity and potential.

### ***Committee Recommendations***

909. The Committee recommends the Ministry of Education should work in conjunction with the National Treasury and ensure that the funds are disbursed to institutions without undue delay.
910. Further, the committee recommends that the Institutions be encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

#### **9.2.8 Unresolved Prior Year Matters**

911. Issues raised in the previous year's audit report remained unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, 2012, which requires accounting officers to address audit issues in a timely manner.

#### **Management Response**

912. Management acknowledged that some issues from the previous audit remained outstanding but indicated that efforts had been initiated to resolve them. Management undertook to accelerate corrective actions to ensure full compliance with the Public Finance Management Act.

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

913. The Committee observed that the unresolved prior year audit matters had been addressed by the committee.

#### **9.2.9 Inconsistency in financial statements**

914. Certain figures presented in the Principal's Report and operational performance section were materially inconsistent with figures in the financial statements, particularly in relation to revenue, expenditure, and revenue shortfall.

#### **Management Response**

915. Management explained that the differences arose from the way revenue and expenses were presented. Tuition fees and other income were combined in the Principal's Report, while the financial statements presented them separately. Management maintained that the figures reported in the financial statements were accurate.

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

916. The Committee observed that inconsistencies between figures reported in the Principal's Report, operational performance section and the financial statements undermine the clarity

and reliability of financial reporting and may lead to misinterpretation of the institution's financial performance.

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

917. The Committee recommends that management ensures consistency in the presentation of financial information across all sections of the annual report and financial statements to enhance accuracy, transparency and reliability of financial reporting.

#### **9.2.10 Unauthorized Expenditure**

918. Over-expenditure was noted in certain budget items including Local Transport and Travelling and Marketing, and evidence of approval for the additional expenditure was not provided for audit review.

#### **Management Response**

919. Management explained that the institution was upgraded to a National Polytechnic during the year, resulting in additional training and operational activities which increased travel requirements. Management undertook to ensure that future expenditures are aligned with approved budgets and supported by appropriate approvals.

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

920. The Committee observed that the institution incurred over-expenditure in certain budget items including Local Transport and Travelling and Marketing without providing evidence of approval for the additional expenditure, indicating weaknesses in budgetary control and financial management.

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

921. The Committee recommended that the management ensures all expenditures are incurred within the approved budget and that any reallocation or additional expenditure is supported by prior approval from the relevant authority. Further, the Accounting Officer should ensure strict compliance with **Section 48(1) of the Public Finance Management Act, 2012**, which requires public entities to ensure expenditures are incurred within approved budget limits, and **Regulation 39(1) of the Public Finance Management (National Government) Regulations, 2015**, which requires accounting officers to maintain effective budgetary controls.

#### **9.2.11 Regularity of Human Resource Management**

922. Five officers recruited in February 2024 were not confirmed after the six-month probation period, contrary to the Human Resource Policies and Procedures Manual for the Public

Service. In addition, the Polytechnic had not met the requirement that at least 5% of staff be persons with disabilities.

### **Management Response**

923. Management indicated that relevant appointment documentation had been issued to the affected employees. Regarding persons with disabilities, management stated that some employees qualify but have not formally registered their disability status. Management undertook to follow up and ensure compliance with the relevant policy requirements.

### ***Committee Observation***

924. The Committee noted that the Accounting Officer failed to comply with Clause B.16(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires officers to serve a probation period not exceeding six months before confirmation in appointment.

### ***Committee Recommendation***

925. The Committee recommends that the management should be deliberate and ensure compliance with Section 13 of the Persons with Disabilities Act, 2003 and Article 54(2) of the Constitution of Kenya, 2010, which require that at least five percent (5%) of public service positions be reserved for persons with disabilities.

#### **9.2.12 Lack of Value for Money**

926. The Polytechnic paid Kshs. 2,688,000 for bank integration with the ERP system; however, the integration process had not been completed by the time of audit.

### **Management Response**

927. Management stated that the issue had since been resolved and that the bank integration process had been completed. Supporting confirmation from the bank was provided.

### ***Committee Observation***

928. The Committee observed that the issue had since been satisfactorily addressed since the bank integration process had been completed.

#### **9.2.13 Non-Compliance with Law on Ethnic Composition**

929. Out of 41 employees, 36 employees (90%) were from the dominant local community, contrary to the National Cohesion and Integration Act, 2008, which requires that no community constitutes more than one-third of the staff establishment.

### **Management Response**

930. Management explained that most employees were in lower job grades which may not attract applicants from other regions. In addition, some employees recruited from other communities left employment shortly after recruitment. Management undertook to enhance diversity in future recruitment.

### **Committee Observation**

931. The Committee noted that the issue had been deliberated on in the prior year thus the recommendations remain as discussed.

#### **9.2.14 Irregularities in Board Allowances**

932. Board sitting allowances amounting to Kshs. 1,978,000 were not subjected to PAYE deductions or declared through the iTax system, contrary to the Income Tax Act.

### **Management Response**

933. Management stated that the relevant KRA returns were subsequently filed at the end of the financial year and provided supporting documentation including payment vouchers and bank statements.

### **Committee Observation**

934. The Committee observed that the matter had been satisfactorily addressed.

#### **9.2.15 Inadequate Cash Management**

935. Cash advances and reimbursements were issued without using the imprest system, contrary to Regulation 93 of the Public Finance Management (National Government) Regulations, 2015.

### **Management Response**

936. Management acknowledged the observation and undertook to adopt the imprest system in order to strengthen accountability and improve cash management controls.

### **Committee Observation**

937. The Committee observed that cash advances and reimbursements were issued without using the imprest system, which weakens accountability and proper tracking of public funds and exposes the institution to risks of misuse of funds. This practice is contrary to **Regulation 93 of the Public Finance Management (National Government) Regulations, 2015**, which requires public entities to use the imprest system for issuance and accountability of cash advances.

### ***Committee Recommendation***

938. The Committee recommends that the Accounting Officer strictly adheres to **Regulation 93 of the Public Finance Management (National Government) Regulations, 2015** by ensuring that all cash advances are issued through the imprest system and are properly accounted for within the prescribed timelines.

#### **9.2.16 Poor Internal Controls for Inventory**

942. The Polytechnic reported inventories of Kshs. 4,706,661, but the institution lacked an effective inventory management system capable of producing accurate stock reports and monitoring stock movements.

### **Management Response**

943. Management indicated that measures were being implemented to strengthen the inventory management system, including periodic reporting, inspections, and improved monitoring of stock levels.

### ***Committee Observation***

944. The Committee observed that the Polytechnic lacked an effective inventory management system capable of generating accurate stock reports and monitoring stock movements, which weakens internal controls over management of inventories thus exposes the institution to risk of loss or mismanagement of public resources.

### ***Committee Recommendation***

945. The Committee recommends that the Accounting Officer strengthens inventory management controls by implementing a reliable inventory management system and ensuring proper recording, monitoring and periodic verification of stock. Further, management should ensure compliance with Regulation 160(1) of the Public Finance Management (National Government) Regulations, 2015, which requires accounting officers to maintain proper systems for the control and management of government assets and inventories.

#### **9.2.17 Lack of Approved ICT Policies**

946. The Polytechnic did not have approved ICT policies, ICT strategy, or an IT steering committee, resulting in weak IT governance and lack of adequate safeguards for information assets.

### ***Management Response***

947. Management stated that draft ICT policies and strategies had been developed and were awaiting approval by the Council. Management further undertook to establish an IT steering committee and implement appropriate information security policies.

### ***Committee Observation***

948. The Committee observed that the Polytechnic did not have approved ICT policies, an ICT strategy, or an IT steering committee to guide management of its information technology environment. This weakened ICT governance and exposed the institution's information assets to risks relating to data security, confidentiality and integrity.

### ***Committee Recommendation***

949. The Committee recommends that the Accounting Officer expedites approval and implementation of ICT policies, ICT strategy and establishment of an IT steering committee to strengthen ICT governance and safeguard information assets.

## **9.3 Audited statement for financial year 2024/ 2025**

### **9.3.1 Inaccuracy of General Expenses**

950. The Statement of Financial Performance reflects general expenses amounting to Kshs. 11,359,496, which includes Kshs. 2,000,000 borrowed from the development account to facilitate salary payments. Records indicate that once the funds were refunded, the transaction was posted under general expenses, resulting in double charging of expenditure. Consequently, the accuracy and completeness of Kshs. 2,000,000 reported as general expenses could not be confirmed.

### ***Management Response***

951. Management explained that the Kshs. 2,000,000 represented development funds temporarily borrowed to facilitate salary payments. Upon refund, the transaction was posted in the general expenses ledger to regularize the refund.

952. Management acknowledged the classification error and undertook to strengthen controls to ensure correct classification of liabilities and refunds in future financial reports. The error will be corrected in the 2026 financial statements.

### ***Committee Observation***

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

### **9.3.2 Inaccuracy of Property, Plant and Equipment**

954. The statement of financial position reflects property, plant and equipment comparative balance of Kshs. 490,546,197, while Note 21 reflects a balance of Kshs. 488,248,992, resulting in an unexplained variance of Kshs. 2,297,205. As a result, the accuracy of the reported balance could not be confirmed.

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

955. Management explained that the variance arose due to omission of depreciation expense in the comparative figures. The error has since been identified and corrected and the property, plant and equipment balance reinstated to Kshs. 490,546,197.

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

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

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

957. The statement of financial position reflects receivables from exchange transactions amounting to Kshs. 64,753,667, of which Kshs. 47,791,616 (74%) had been outstanding for more than one year. No provision for doubtful debts had been made and management had not demonstrated adequate efforts to recover the long outstanding debts.

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

958. Management explained that a significant portion of the outstanding balances relates to delays in remittance of government capitation and scholarship funds, as well as non-payment of HELB loans expected to offset student tuition fees.

959. In addition, some students discontinued their studies, making recovery difficult. Management indicated that efforts to recover the balances are ongoing.

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

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

### **9.3.4 Budgetary Control and Performance**

961. The statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs. 195,701,038 against actual receipts of Kshs. 82,865,958, resulting in underfunding of Kshs. 112,835,080 or 57% of the budget. The underfunding may have negatively affected implementation of planned activities and service delivery.

### ***Management Response***

962. Management explained that the underfunding arose because the Government and other stakeholders, including HELB and scholarship sponsors, did not release the full amounts of expected grants such as capitation and scholarship funds. Only approximately Kshs. 33,000,000 was received for two quarters, resulting in lower receipts and reduced implementation of planned activities.

### ***Committee Observation***

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

#### **9.3.5 Unresolved Prior Year Audit Matters**

964. Sixteen (16) issues raised in the previous year's audit report remained unresolved and management had not provided adequate explanations for failure to implement the recommendations.

### ***Management Response***

965. Management stated that the Polytechnic is in the process of gradually addressing the outstanding audit matters and has put measures in place to ensure compliance with prior audit recommendations.

### ***Committee Observation***

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

#### **9.3.6 Non-Compliance with the Law on Ethnic Composition**

967. Human resource records indicated that the Polytechnic had 51 staff members, out of which 48 (94%) were from the same ethnic community. This contravenes Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that no public establishment should have more than one-third of its staff from the same ethnic community.

### ***Management Response***

968. Management explained that most employees are general staff recruited locally due to the nature and remuneration of the positions. Management also noted that staff recruited from other regions often leave employment shortly after recruitment. However, management undertook to promote diversity in future recruitment processes.

### ***Committee Observation***

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

#### **9.3.7 Delayed Completion of Library Block**

970. The statement of financial position reflects capital work in progress of Kshs. 38,292,511 relating to construction of a library block. The project commenced in the 2015/2016 financial year with an expected completion period of 36 weeks, but physical verification in November 2025 revealed that the project had stalled and the contractor was not on site. Management did not adequately explain efforts to complete the project, raising concerns on value for money.

### ***Management Response***

971. Management stated that the Government had released Kshs. 2,500,000 towards completion of the project. Management undertook to continue following up on additional funding and monitoring disbursements to ensure completion of the library building and facilitate the institution's upgrade to a Polytechnic.

### ***Committee Observation***

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

#### **9.3.8 Ineffective Internal Audit Function**

973. Although the Polytechnic had established an Audit, Risk and Compliance Unit, the unit had only one staff member, contrary to Regulation 162(2)(b) of the Public Finance Management Regulations, 2015, which requires adequate staffing of internal audit units. In addition, the internal audit unit lacked an approved Internal Audit Charter and the annual work plan had not been approved by the Accounting Officer.

### ***Management Response***

974. Management explained that the institution has a functional audit department and is in the process of strengthening the unit through staff capacity building and recruitment of additional personnel to meet the required standards.

### ***Committee Observation***

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

### **9.3.9 Lack of ICT Governance Frameworks and Policies**

976. The Polytechnic had not developed key ICT governance and operational documents, including ICT policy, data protection policy, data privacy policy, disaster recovery policy, business continuity policy, change management policy, and other standard operating procedures. The absence of these frameworks weakens ICT governance and increases the risk of non-compliance with data protection and cybersecurity requirements.

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

977. Management stated that draft ICT governance policies and procedures had been developed and forwarded to the Ministry for review and input. Management undertook to finalize and implement the policies once approved.

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

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

## **10.0 MAWEGO NATIONAL POLYTECHNIC FOR THE FINANCIAL YEARS**

### **10.1 Audited Financial statements for the 2022/2023**

#### **Audit Opinion: Unmodified**

978. Mr John Abuto, Principal accompanied by Mr. Felix Odera, Finance Officer and Ms. Rose Obengo, Procurement Officer appeared before the committee to adduce evidence on the Audited Accounts of Mawego National Polytechnic for the Financial Years 2022/2023 to 2024/2025.

#### **10.1.1 Budget Control and Performance**

979. The statement of comparison of budget and actual amounts reflects total budgeted revenue of Kshs.335,801,000 and actual revenue of Kshs.229,970,041, resulting in an underfunding of Kshs.105,830,959 or 24% of the budget. Similarly, the statement reflects total budgeted expenditure of Kshs.335,801,000 and actual expenditure of Kshs.305,801,112, resulting in an under-expenditure of Kshs.31,538,888 (or 7% of the budget).

980. The underfunding and under-expenditure affected planned activities and may have impacted negatively on the service delivery to the students and other stakeholders of the Institute. My opinion is not modified in respect of this matter.

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

981. Management informed the Committee that the revenue shortfall was primarily attributed to the non-disbursement of fourth quarter capitation and low collection from the Income Generating Unit occasioned by delayed payments from the National Youth Service. Management further explained that under-absorption resulted from delayed funding, which subsequently caused delays in the procurement process.

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

982. The Committee observed that;

- i. The significant underfunding of 24% and under-expenditure of 7% indicates weak budget planning, over-reliance on uncertain funding sources, and ineffective monitoring of budget performance.
- ii. Management contravened Section 68(2) of the Public Finance Management Act, Cap. 412A, which requires accounting officers to ensure efficient and effective use of public resources, and IPSAS 24 on Presentation of Budget Information in Financial Statements,

which requires entities to explain material variances between budgeted and actual amounts.

### ***Committee Recommendation***

983. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should develop and implement a realistic budget formulation framework based on historical revenue data, confirmed funding commitments, and economic trend analysis, and establish a Budget Implementation Committee to conduct monthly monitoring of revenue and expenditure performance, with variance analysis reports submitted to the Auditor-General for review.

### **10.1.2 Unresolved Prior Year Matters**

984. Various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

### ***Management Response***

985. Management informed the Committee that prior year matters have been addressed, with some allocated timelines up to 31 December, 2025, such as redoing the collapsed water tank.

### ***Committee Observation***

986. The Committee observed that:

- i. the failure to resolve prior year audit matters timeously undermined the audit process and perpetuated financial irregularities.
- ii. the management contravened Section 68(2)(l) of the Public Finance Management Act, Cap. 412A, which requires accounting officers to maintain proper financial records and implement effective financial management systems.

### ***Committee Recommendation***

987. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a comprehensive status report on all prior year audit matters, with clear implementation timelines, evidence of resolution for matters already addressed, and a detailed action plan for outstanding issues for review.

### **10.1.3 Noncompliance with the Laws on Affirmative Action**

988. Analysis of personnel records for the month of June, 2023 revealed that Mawego Technical Training Institute had a workforce of 135 employees, out of which 97 employees were members of one (1) ethnic community. This represents 72% of the total workforce, contrary to Sections 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public establishments 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.
989. Further, review of the composition of the Board of Governors revealed that the Board had nine (9) members out of which, seven (7), or 78% of the Board, were male, contrary to Article 27(8) of the Constitution of Kenya, 2010 which states that in addition to the measures contemplated in clause (6), the State shall take legislative and other measures to implement the principle that not more than two thirds of the members of elective or appointive bodies shall be of the same gender.
990. In addition, there was no member representing persons with disabilities, contrary to Section 13 of Persons With Disabilities Act, 2003 which states that the Council shall endeavor to secure the reservation of five percent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities
991. In the circumstances, Management was in breach of the law.

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

992. Management informed the Committee that the Institution endeavors to reach qualified candidates through advertisements placed in newspapers, on social media, and on the Institution's website. Management stated that they adhere to the recruitment policy to ensure competitive and fair recruitment, but acknowledged that advertisements have not attracted a significant number of prospective candidates from other ethnic backgrounds.

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

993. The Committee observed that;
- i. The continued dominance of one ethnic community at 72% of the workforce constitutes a persistent and serious breach of the National Cohesion and Integration Act, 2008.
  - ii. The failure to comply with constitutional requirements on gender balance and the exclusion of persons with disabilities further demonstrates systemic non-compliance with the law.
  - iii. The excuse of low candidate attraction does not absolve Management of its legal obligation to proactively implement affirmative action and diversity initiatives.

### ***Committee Recommendation***

994. Committee recommends that; within six (6) months of the adoption of this report, the Accounting Officer should develop and implement an affirmative action recruitment and diversity plan with clear targets and timelines to progressively achieve compliance with Sections 7(1) and (2) of the National Cohesion and Integration Act, 2008, Article 27(8) of the Constitution, and Section 13 of the Persons With Disabilities Act, 2003.

#### **10.1.4 Non-compliant with Membership of Board of Governance Committees**

995. As reported in our previous audits and review of records revealed that the Institute had a Board of Governors membership of nine members. The Board had established three committees, namely Finance, Administration and Infrastructure Committee; Education, Research and Training Committee; and Audit and Risk Management Committee.

996. However, review of the membership of the board committees revealed that the committees had membership of more than three (3) members, contrary to the Circular Ref. No OP/CAB.9/1A from the Head of Public Service dated 11<sup>th</sup> March, 2020 which provides 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.

997. Further review revealed that two members were serving in both the Finance, Administration and Infrastructure Committee and Audit and Risk Management Committee, contrary to the Head of Public Service Circular which provides that except that the members representing The National Treasury and parent Ministry a member serving in the Board Audit committee shall not be appointed member of the Finance Committee and vice versa.

998. In the circumstances, Management was in breach of the Head of Public Service Circular.

### ***Management Response***

999. Management informed the Committee that the Board of Governors committees had been reconstituted on 12/07/2023 as per Board minutes. However, Management stated that limiting committee composition to one-third of eight members would result in some committees having insufficient members to form a quorum, and therefore the appointing authority needs to review the board membership numbers.

### ***Committee Observation***

1000. Committee observed that:

- i. The Committee observed that the failure to comply with the Head of Public Service Circular on committee composition compromises the independence and effectiveness of oversight committees, particularly the Audit and Risk

Management Committee, which must remain independent of the Finance Committee.

- ii. The excuse of quorum challenges does not justify non-compliance with binding circulars issued by the Head of Public Service.

### ***Committee Recommendation***

1001. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should reconstitute all Board committees in strict compliance with the Head of Public Service Circular Ref. No OP/CAB.9/1A, ensuring that committee membership does not exceed one-third of the full board and no member serves in both the Finance Committee and the Audit and Risk Management Committee, and that all committees have the capacity to form a quorum while maintaining legal compliance.

#### **10.1.5 Collapse of Pressed Steel Elevated Water Tank Tower**

1002. Reflected in Note 26 on property plant and equipment are additions for the year under review amount of Kshs.130,764,734 which includes capital work in progress amount of Kshs.89,842,284 out of which, Kshs.2,334,449 was paid to a local contractor. As reported in our previous, year, the Institute entered into a contract with the firm for the proposed supply, delivery and installation of pressed steel elevated water tank tower and base and booster pumps at a contract sum of Kshs.5,940,375 on 6 December, 2021. The contract period was set at eight months with a commencement date of January, 2022 and completion date of August, 2022. However, the elevated water tank tower collapsed on 3 January, 2023 due to a structural failure.

1003. This happened despite the project receiving a certificate of practical completion on 31 August, 2022. Physical verification of the project in the month of December, 2024 revealed that no renovation works had been done to the water tank.

1004. In the circumstances, the value for money realized from the expenditure of Kshs.2,334,449 on the projects could not be confirmed.

### ***Management Response***

1005. Management informed the Committee that the contractor had provided a letter of undertaking to redo the project by the end of December, 2025, following a recommendation by the Office of the Director of Public Prosecutions.

### ***Committee Observation***

1006. The Committee observed that;

- i. the collapse of a newly constructed water tank tower immediately after receiving a certificate of practical completion raises serious concerns about the quality of workmanship, the integrity of the certification process, and the supervision of the project.
- ii. the loss of public funds amounting to Kshs.2,334,449 without value for money constitutes a breach of Section 7 of the Public Audit Act, Cap. 412B, on economy, efficiency, and effectiveness in the use of public resources, and Section 68 of the Public Finance Management Act, Cap. 412A, on proper financial management.

### ***Committee Recommendation***

1007. The Committee recommends that:

- i. Within three (3) months of the adoption of this report, the Accounting Officer should to ensure the contractor commences and completes the reinstatement of the collapsed water tank tower as undertaken, with strict supervision by the Institute's technical team and the relevant government inspection authorities.
- ii. Within three (3) months of the adoption of this report, the Accounting Officer should institute recovery proceedings against the contractor and any officials found liable for the structural failure, including recovery of the Kshs.2,334,449 already paid, should the contractor fail to honour the undertaking.

#### **10.1.6 Delayed Completion of Mbita Technical and Vocational College**

1008. The Institute entered into a contract with a local contractor for the proposed erection and completion of twin workshop, classrooms and office block (2-storey) for the proposed Mbita Technical and Vocational College on 28 May, 2019 for a contract sum of Kshs.56,792,540. As at 30 June, 2023 a total of Kshs.36,134,447 had been spent on the project which included Kshs.3,397,777 incurred in the year under review. The contract period was 52 weeks commencing on 27 September, 2019 and ending on 26 September 2020. The project end date was extended to 11 January, 2022 on 28 September, 2021. However, there was no evidence that further extension had been sought and granted by the tender committee during the period under review. The project had not been completed as at 30 June, 2023.

1009. In the circumstances, value for money realized from the expenditure of Kshs.36,134,447 on the project could not be confirmed.

### ***Management Response***

1010. Management informed the Committee that the Institution had been completed and operationalized, and provided a practical completion certificate and photographs as evidence.

### ***Committee Observation***

1011. The Committee observed that:

- i. The project, initially scheduled for completion in September 2020, remained incomplete as at June 2023, representing a delay of nearly three years.
- ii. The expenditure of Kshs.36,134,447 without timely completion raises concerns about project management, contract supervision, and value for money, contrary to Section 68 of the Public Finance Management Act, Cap. 412A, and Section 7 of the Public Audit Act, Cap. 412B.

### ***Committee Recommendation***

1012. The Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a complete project file for the Mbita Technical and Vocational College, including the practical completion certificate, all contract variations and extensions, final payment certificates, and a post-implementation review report demonstrating that the completed facility is fully operational and delivering value for money for review.

#### **10.1.7 Ineffective Debt Management Policy**

1013. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.155,827,931 which, as disclosed in Note 22(a) to the financial statements, comprises Kshs.155,348,890 in respect of student debtors and Kshs.482,041 in respect of rent debtors. However, review of documents supporting this balance revealed the following anomalies:
1014. The student debtors balance represents an increase of Kshs.73,513,408, or 90%, from Kshs.81,832,482 reported in the previous year. Similarly, the rent debtors balance indicates an increase of Kshs.195,541, or 68%, from the Kshs.286,500 reported in the previous year. However, Management has not explained the cause of this significant increase in the debtor's balances.
1015. Included in the balance of Kshs.155,827,931 is a credit journal entry of Kshs.178,397,199 which was attributed to data migration error by the system provider in 2021. This left sponsorship allocations out, resulting in high student arrears, thus the need for journal entry to correct the amounts.
1016. The College has no operational debt recovery policy and, as result, student debts has continued to grow over the years.
1017. In the circumstances, it was not possible to confirm whether effective policies and measures were in place to facilitate recovery of amounts due from students.

### *Management Response*

1018. Management informed the Committee that the increase in student debtors resulted from delayed payment of fees by the National Youth Service and under-funding through capitation. Management stated that the system data migration error had been rectified through journals, and that a fee collection policy exists but faces implementation challenges due to inter-entity transfers (capitation, HEF).

### *Committee Observation*

1019. The Committee observed that:

- i. the 90% increase in student debtors without adequate explanation, the reliance on journal entries to correct system errors, and the absence of an operational debt recovery policy indicate weak financial management and ineffective internal controls over revenue collection.
- ii. the management contravened Section 68(2)(1) of the Public Finance Management Act, Cap. 412A, and IPSAS 29/IPSAS 41 on Financial Instruments, which require proper recognition, measurement, and impairment of receivables.

### *Committee Recommendation*

1020. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should:

- i. Conduct a comprehensive reconciliation of all student debtors and submit a detailed ageing analysis to the Auditor-General.
- ii. Review, approve, and implement a formal Debt Management and Recovery Policy, including provisions for impairment of doubtful debts in accordance with IPSAS 29/IPSAS 41.
- iii. Develop and implement a debt recovery strategy with clear timelines and actions for collecting long outstanding receivables.

#### **10.1.8 Lack of Human Resource Plans/Inadequate Staffing.**

1021. During the year under review, it was noted that the Institute lacked a comprehensive human resource plan. As a result, the audit was unable to verify key aspects related to human resource management, including the existence of a structured recruitment plan, staff training programs, performance evaluations and appraisals, as well as the identification of the Institute's human resource needs.

1022. Further, review of the internal audit and human resource function revealed that each department was composed of only one officer, contrary to the Institute staff establishment which requires each department to be manned by two officers.

1023. In addition, the Procurement Department had two officers carrying out procurements, receiving and issuing of goods and maintenance of procurement and stores records, contrary to the staff establishment requirement of three officers.
1024. In the circumstances, the effectiveness of internal controls, risk management and overall governance in the Institute could not be confirmed.

### ***Management Response***

1025. Management informed the Committee that the Institution had developed a Human Resource manual as from December, 2024, detailing human resource plans. Management further stated that the Procurement Department has three officers as per employment letters submitted.

### ***Committee Observation***

1026. The Committee observed that:
- i. The Committee observed that the absence of a comprehensive human resource plan undermines strategic workforce planning, staff development, and performance management.
  - ii. Understaffing in critical departments such as Internal Audit, Procurement, and ICT weakens internal controls and exposes the Institute to operational and financial risks, contrary to Section 68 of the Public Finance Management Act, Cap. 412A, which requires effective financial management systems.

### ***Committee Recommendation***

1027. Committee recommends that; within six (6) months of the adoption of this report, the Accounting Officer should finalise and implement the Human Resource manual, including a comprehensive human resource plan addressing recruitment, training, performance management, and succession planning and fill all critical staffing gaps in accordance with the approved staff establishment, prioritizing Internal Audit, Procurement, and ICT departments, subject to availability of funds.

## **10.2 Audited Accounts for the Financial Year 2023/2024**

### **Audit Opinion: Qualified**

#### **10.2.1 Receivables from Exchange Transactions**

1028. The statement of financial position reflects current portion of receivables from exchange transaction balance of Kshs.259,354,596, which indicates an increase of Kshs.103,526,665, representing 66%, from the previous year balance. However, Management has not

explained the cause of the significant increase in the receivables balance. Further, Management did not include the balance of Kshs.259,354,596 in Note 21 (c ) on aging analysis of receivables from exchange transactions as required by the prescribed reporting template.

1029. In addition, a detailed student debtor ageing analysis and movement schedule for the period under audit were not provided for audit. Also, the Polytechnic had no operational debt recovery policy and, as a result, student debt has continued to grow over the years.
1030. In the circumstances, the accuracy, completeness and recoverability of the current portion of receivables from exchange transactions balance of Kshs.259,354,596 could not be confirmed.

### ***Management Response***

1031. Management informed the Committee that the ageing analysis of receivables had been amended in the notes to the financial statements. Management stated that a fees collection policy exists, but implementation is challenged by the Higher Education Funding (HEF) model, which places students in bands, making it difficult to determine parental obligations, and by delays in funding.

### ***Committee Observation***

1032. The Committee observed that the 66 percent increase in receivables without adequate explanation, the failure to include required ageing analysis in the financial statements, and the absence of supporting schedules constitute material non-disclosure and non-compliance with IPSAS 1 on Presentation of Financial Statements and IPSAS 29/IPSAS 41 on Financial Instruments. The continued lack of an operational debt-recovery policy has contributed to unsustainable growth in student debt.

### ***Committee Recommendation***

1033. The Committee recommends that within three (3) months of the adoption of this report, the Accounting Officer should:
- i. Submit to the Auditor-General a comprehensive student debtor ageing analysis and movement schedule for financial years 2022/2023 and 2023/2024 for review.
  - ii. Review, approve, and implement a formal Debt Management and Recovery Policy with clear provisions for impairment of doubtful debts in accordance with IPSAS 29/IPSAS 41.
  - iii. Ensure all future financial statements include complete ageing analysis disclosures as required by the PSASB reporting template.

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

1034. The statement of financial position reflects long term receivables from exchange transaction balance of Kshs.2,059,255 which, as indicates in the aging analysis in Note 21 (c) to the financial statements, had been outstanding for a period of between two (2) and three (3) years. Management has not provided efforts made to recover this long outstanding debt.
1035. In the circumstances, the recoverability of the long-term receivables from exchange transactions balance of Kshs.2,059,255 and, therefore, its treatment as an asset of the Polytechnic could not be confirmed.

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

1036. Management informed the Committee that long outstanding receivables have reduced in the current financial year, with Rangwe TVC clearing their total amount owed and Mabera TVC committing to pay when they receive funds. Management provided receipts as proof of payment by Rangwe TVC and an acknowledgement letter from Mabera TVC.

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

1037. The Committee observed that:
- i. While some progress has been made in recovering long outstanding debts, the existence of receivables outstanding for over two years without full recovery raises concerns about the recoverability of these amounts and the effectiveness of debt collection efforts.
  - ii. Failure to recognize impairment provisions for such long outstanding debts contravened IPSAS 29/IPSAS 41, which require entities to assess receivables for impairment and recognize provisions where recoverability is doubtful.

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

1038. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should conduct a comprehensive recoverability assessment of all long outstanding receivables and recognize appropriate impairment provisions in the financial statements in accordance with IPSAS 29/IPSAS 41 and develop and implement a targeted recovery plan for all long outstanding debts, with clear timelines and actions, including engagement with debtor institutions and escalation mechanisms.

### **10.2.3 Budgetary Control and Performance**

1039. The statement of comparison of budget and actual amounts reflects total income budget and actual on comparable basis amounts of Kshs.383,160,000 and Kshs.369,304,910 respectively, resulting in an underfunding of Kshs.13,855,090 (or 4% of the budget). Similarly, the Polytechnic had recurrent and development expenditures totalling

Kshs.316,749,349 out of the actual receipts of Kshs.369,304,910, resulting in an underutilization of Kshs.52,555,561 or 14%.

1040. The underfunding and underutilization affected the planned activities and may have negatively impacted on the programs and activities of the Polytechnic.

1041. My opinion is not modified in respect of this matter.

### ***Management Response***

1042. Management informed the Committee that late and reduced disbursement of funds affects budget absorption due to limited funds available for utilization.

### ***Committee Observation***

1043. The Committee observed that:

- i. While the underfunding of 4% is an improvement from the previous year's 24%, the underutilization of 14% indicates continued challenges in budget execution and absorption capacity.
- ii. The management contravened Section 68 of the Public Finance Management Act, Cap. 412A, which requires efficient and effective use of public resources.

### ***Committee Recommendation***

1044. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should develop and implement a budget absorption improvement plan, including prioritization of activities, timely procurement planning, and quarterly monitoring of expenditure against budget and submitted to the Auditor-General for review.

#### **10.2.4 Unresolved Prior Year Matters**

1045. Various prior year audit issues remained unresolved as at 30 June, 2024. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues. Further, although some of the prior year audit matters are said to have been resolved as indicated in the Implementation Status of Auditor-General Recommendations, Management has not provided evidence showing how these issues were resolved.

### ***Management Response***

1046. Management informed the Committee that prior year matters have been addressed, with some allocated timelines up to 31 December, 2025, such as redoing the collapsed water tank.

### ***Committee Observation***

1047. The Committee observed that:

- i. Prior year audit matters remain unresolved for extended periods, with some issues carried forward for over two years.
- ii. The failure to provide evidence of resolution for matters said to be resolved undermined accountability and transparency, contrary to Section 68 of the Public Finance Management Act, Cap. 412A, and Section 48 of the Public Audit Act, Cap. 412B.

### ***Committee Recommendation***

1048. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a comprehensive status report on all prior year audit matters for review.

#### **10.2.5 Non-compliance with the Laws on Affirmative Action**

1049. Analysis of the personnel records and payroll for the month of June, 2024 revealed that the Polytechnic had a workforce of two hundred and thirty-six (236) employees, out of which, two hundred and ten (210) employees or 88% were from one (1) ethnic community. This was contrary to Sections 7 (1) and (2) of the National Cohesion and Integration Act, which requires 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 (1/3) of its staff from the same ethnic community.

1050. In addition, no evidence was provided to show that the workforce of two hundred and thirty-six (236) employees included persons with disabilities, contrary to Section 13 of Persons With Disabilities Act, 2003, which states that the Council shall endeavor to secure the reservation of five percent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

1051. In the circumstances, Management was in breach of the law.

### ***Management Response***

1052. Management informed the Committee that the National Cohesion Act has been implemented in subsequent recruitments, with the dominance arising from casual employees who are locals. Management stated that advertisements are placed in newspapers, on social media, and on the website, but have not attracted a significant number of candidates from other ethnic backgrounds. Management provided employment letters for three recent recruits from other ethnic communities as evidence of progress.

### ***Committee Observation***

1053. The Committee observed that:

- i. Despite repeated audit findings, the Institution remains in serious breach of the National Cohesion and Integration Act, with ethnic dominance increasing from 72% in 2022/2023 to 88% in 2023/2024. This regression demonstrated a complete disregard for the law and a failure by Management to take proactive measures to achieve ethnic diversity.
- ii. The continued exclusion of persons with disabilities further compounds the non-compliance.

### ***Committee Recommendation***

1054. The Committee reprimands the Accounting Officer for the persistent and worsening breach of Sections 7(1) and (2) of the National Cohesion and Integration Act, 2008, Article 27(8) of the Constitution of Kenya, 2010, and Section 13 of the Persons With Disabilities Act, 2003.

#### **10.2.6 Expired Term of Service for Board of Governors**

1055. Examination of Board records provided for audit revealed that the Polytechnic's Board of Governors consisted of nine (9) members, including the principal who was the Secretary. However, review of the terms of service for the Board members revealed that their terms expired in January, 2024, and had not been renewed by the close of the financial on 30 June, 2024.

1056. In the circumstances, the effectiveness of Governance in the Polytechnic for five (5) months to 30 June, 2024 could not be confirmed.

### ***Management Response***

1057. Management informed the Committee that there was a delayed appointment of the Board of Governors by the Cabinet Secretary for Education during the period, but the management practiced good governance as the Board only provides oversight. Management confirmed that a new Board was appointed from 17 July, 2024, and provided appointment letters as evidence.

### ***Committee Observation***

1058. The Committee observed that:

- i. The Institution operated without a properly constituted Board of Governors for five months (February to June 2024), which compromised governance oversight and may have affected decision-making and accountability.

- ii. The management contravened Section 12 of the Technical and Vocational Education and Training Act, 2013, which provides for the establishment and composition of institutional boards.

### ***Committee Recommendation***

1059. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should ensure that the terms of all Board members are monitored, and timely requests for renewal or reconstitution are submitted to the appointing authority at least three months before expiry to prevent any lapse in governance.

### **10.2.7 Improper Constitution of the Board of Governors**

1060. Review of the composition of the Board of Governors revealed that the Board had nine (9) members out of which, seven (7) were men, making up 78% of the Board, contrary to Article 27 (8) of the Constitution of Kenya 2010, which states that in addition to the measures contemplated in clause (6), the State shall take legislative and other measures to implement the principle that not more than two-thirds (2/3) of the members of the elective or appointive bodies shall be of the same gender.

1061. In addition, there was no member representing persons with disabilities, contrary to Section 2 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013, which requires that appointments under paragraph 1(2) shall take into account ethnic and gender balance, and promote inclusion of persons with disabilities, minorities and the marginalized, and ensure balanced competencies among the members.

1062. In the circumstances, Management was in breach of the law.

### ***Management Response***

1063. Management informed the Committee that they will liaise with the appointing authority in ratifying the current Board constitution and any future appointments to ensure compliance with the law on ethnic and gender balance.

### ***Committee Observation***

1064. The Committee observed that the composition of the Board of Governors violated both the constitutional principle of gender balance and the statutory requirement for inclusion of persons with disabilities. This systemic non-compliance reflects a failure by both Management and the appointing authority to adhere to clear legal provisions.

### ***Committee Recommendation***

1065. Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should formally engage the Cabinet Secretary for Education and the relevant appointing authority to reconstitute the Board of Governors in full compliance with Article 27(8) of the Constitution and Section 2 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013, ensuring gender balance and inclusion of persons with disabilities

#### **10.2.8 Non-Compliance with Membership of the Board of Governance Committee**

1066. As reported in the previous audit reports and review of the position in the current year revealed that the Polytechnic had a Board of Governors membership of nine (9) including the Principal. The Board had established three (3) committees namely, the Finance, Administration and Infrastructure Committee; education, research and Training Committee and Audit and Risk Management Committee.

1067. However, review of the membership of these committees revealed that the Education, Research and Training Committee had seven (7) members; the Finance, Administration and Infrastructure Committee had five (5) members; and the Audit and Risk Management Committee had eight (8) members. This was contrary to the Circular Ref. No OP/CAB.9/1A from the Head of Public Services, dated 11th 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 (2) committees.

1068. Further review revealed that one member sat in all the three (3) committees while another member sat in both the Finance, Administration and Infrastructure Committee and the Audit and Risk Management Committee. This was contrary to the Circular Ref. No OP/CAB.9/1A from the Head of Public Services dated 11th March, 2020 which provides that except the members representing The National Treasury and parent Ministry, a member serving in the Board's Audit committee shall not be appointed member of the Finance Committee and vice versa.

1069. In the circumstances, Management was in breach of the Head of Public Services Circular.

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

1070. Management informed the Committee that the Board of Governors committees had been reconstituted on 12/07/2023 as per Board minutes, but noted that limiting committee composition to one-third of eight members would result in some committees having insufficient members to form a quorum.

### ***Committee Observation***

1071. The Committee observed that

- i. The same non-compliance reported in the previous year persists in the current year, indicating a deliberate disregard for binding circulars issued by the Head of Public Service.
- ii. The composition of committees with excessive membership and prohibited dual memberships compromises the independence and effectiveness of oversight, particularly the Audit and Risk Management Committee.

### ***Committee Recommendation***

1072. Committee recommends that; Within three (3) months of the adoption of this report, the Accounting Officer should reconstitute all Board committees in strict compliance with the Head of Public Service Circular Ref. No OP/CAB.9/1A, by ensuring that committee membership does not exceed one-third of the full board and no member serves in both the Finance Committee and the Audit and Risk Management Committee.

## **10.2.9 Delayed Completion of Suba Technical and Vocational College**

1073. Mawego Technical Training Institute entered into a contract with a firm for the proposed construction of Suba Technical and Vocational College on 2 February, 2023 at a contract sum of Kshs.73,894,710. The contract period was 52 weeks commencing on the contract date and ending on 2 February, 2024. As at 30 June, 2024, a total of Kshs.40,039,941 had been spent on the project which included Kshs.29,715,172 incurred in the year under review.

1074. However, physical verification of the project on 24 March, 2025 revealed that the project was incomplete with major works such as painting, plumbing and electrical fittings still outstanding. The percentage of completion was around 80%.

1075. In the circumstances, the value for money realized from the expenditure of Kshs.40,039,941 could not be confirmed.

### ***Management Response***

1076. Management informed the Committee that the delay was occasioned by inaccessibility during the rainy season due to poor roads and changes in ground levels leading to a slight design change. Management committed to ensuring the Institution is completed by 31 August, 2025.

### ***Committee Observation***

1077. The Committee observed that the project is significantly delayed, having exceeded the original contract period by over one year, with only 80% completion achieved. The expenditure of Kshs.40,039,941 without timely completion raises concerns about project management, contract supervision, and value for money, contrary to Section 68 of the Public Finance Management Act, Cap. 412A, and Section 7 of the Public Audit Act, Cap. 412B.

#### **10.2.10 Collapse of Pressed Steel Elevated Water Tank Tower**

1078. Included in Note 23-Property Plant and Equipment balance of Kshs.769,654,894 is capital work in progress balance of Kshs.243,860,732, which includes an amount of Kshs.5,332,477 paid to Planet Technical Solution. As reported in previous years, the institution entered into a contract with the firm for the proposed supply, delivery and installation of pressed steel elevated water tank tower and base and booster pumps at a contract sum of Kshs.5,940,375 on 6 December, 2021. The contract period was set at eight months with a commencement date of January, 2022 and completion date of August, 2022.

1079. However, the elevated water tank tower collapsed on 3 January, 2023 due to a structural failure. This happened despite the project receiving a certificate of practical completion on 31 August, 2022. Review of this project status in the month of March, 2025 revealed that the pressed steel elevated water tank tower was yet to be reinstated.

1080. In the circumstances, the value for money realized from the expenditure of Kshs.5,332,477 could not be confirmed.

### ***Committee Observation***

1081. The Committee observed that

- i. The failure to resolve prior year audit matters timeously undermined the audit process and perpetuated financial irregularities.
- ii. The management contravened Section 68(2)(1) of the Public Finance Management Act, Cap. 412A, which requires accounting officers to maintain proper financial records and implement effective financial management systems.

### ***Committee Recommendation***

1082. The Committee recommends that; within three (3) months of the adoption of this report, the Accounting Officer should submit to the Auditor-General a comprehensive status report on all prior year audit matters, with clear implementation timelines, evidence of resolution for matters already addressed, and a detailed action plan for outstanding issues for review.

### 10.2.11 Failure to Comply with the Approved Staff Establishment

1083. Review of the human resource records revealed that the Polytechnic lacked a comprehensive human resource plan, in terms of human resources management on issues of staff recruitment, staff promotion, succession plan, performance evaluation, and appraisals.

1084. Further, Paragraph 6.2.2 - Staff Establishment, Skills Set and Competence Development Review - of the Strategic Plan (2023-2027) indicates that the Polytechnic had an approved staff establishment of one and fifty-one (151) against the staff members in-post of eighty-five (85), resulting in an understaffing by sixty-six (66) employees or 44% of the authorized staff establishment.

1085. In addition, in-depth scrutiny revealed that the following key departments of the Polytechnic were seriously understaffed, as shown:

Department	Approved Establishment	In-post	Variance
Mechanical and Automotive Engineering	42	22	20
Supply Chain	9	3	6
ICT	7	2	5
Internal Audit	4	1	3
Office of the Dean of Students	6	2	4
Income Generating activity	5	0	5
Administration	50	28	22
Technicians	26	11	15

1086. In the circumstances, the operations of the Polytechnic may be hindered due to understaffing, thus affecting the effective and efficient delivery of academic programs to the public.

### ***Management Response***

1087. Management informed the Committee that a revised staff establishment was approved by the Council in December, 2024, and the Institution is in the process of filling positions progressively, subject to availability of funds, over the five-year period of the establishment.

### ***Committee Observation***

1088. The Committee observed that:

- i. Critical understaffing of 44 percent across the Institution, particularly in key departments such as Internal Audit, ICT, and Supply Chain, severely compromises the effectiveness of internal controls, service delivery, and academic program implementation.
- ii. The management contravened Section 68 of the Public Finance Management Act, Cap. 412A, which requires effective financial management systems, and undermines the Institution's ability to achieve its mandate.

### ***Committee Recommendation***

1089. Committee recommends that; within six (6) months of the adoption of this report, the Accounting Officer should ensure that the human resource plan is fully integrated with the strategic plan and budget to facilitate progressive filling of vacancies within the five-year period.

#### **10.2.12 Weak IT Internal Controls**

1090. Review of the Polytechnic's management information system that was in use by the revealed the following weaknesses:

##### **i. ICT Systems Security Management**

1091. The Polytechnic did not have an approved IT security policy to ensure that data stored in its systems did not lose its integrity and is readily available when required. Further, Management had not put-up mechanisms to ensure that there is up-to-date security on all systems software. In addition, it was noted that most of the end user terminals did not have an antivirus installed.

##### **ii. Program Change Management**

1092. The Polytechnic did not document and approve processes to manage upgrades made to all financial and performance information system. This implies that changes to the financial system might occur without the completion formal change request documentation.

##### **iii. IT Service Continuity**

1093. The Polytechnic did not have a disaster recovery plan and had not implemented a backup and retention strategy. I also did not have backups stored in a secure offsite storage facility.

##### **iv. Fire Suppression and Climate Controls**

1094. The Polytechnic did not have Fire detection and suppression system in place. The server rooms were not properly secured and did not have the proper climate controls to ensure that the servers operated at their peak performance.

##### **v. Logical Access Control**

1095. The Polytechnic did not have a formally documented and approved user management standards and procedures. Further, it was not possible to access the user database and determine if all the users of the system were authorised and if some of the users were overstepping their mandate. This was occasioned by the lack of a system administrator in the Polytechnic.

1096. In the circumstances, the security and integrity of the information stored in the system could not be confirmed and IT services could be significantly interrupted in the event a disaster occurs.

### ***Management Response***

1097. Management informed the Committee that they are in the process of formalizing the IT security policy and related safeguards by September 30, 2025, before full automation. Management stated that an ICT policy exists which addresses security components, but no standalone approved security policy is in place. Management confirmed that prior communication and documentation on system changes exist, and that local automated backup at 1TB capacity is in place.

### ***Committee Observation***

1098. The Committee observed that:

- i. The significant weaknesses in IT internal controls expose the Institution's financial and academic data to risks of loss, unauthorized access, manipulation, and system failures.
- ii. The absence of a disaster recovery plan, inadequate physical security for servers, and lack of logical access controls contravene international best practices on information security and expose the Institution to significant operational and reputational risks.

### ***Committee Recommendation***

1099. Within six (6) months of the adoption of this report, the Accounting Officer should develop, approve, and implement a comprehensive IT Security Policy, including standards for antivirus installation, software updates, and access controls and develop and implement a Disaster Recovery Plan and IT Service Continuity Strategy, including offsite backup storage and regular testing of backups.

## **10.3 Audited Accounts for the Financial Year 2024/2025(Opinion: Qualified)**

### **10.3.1 Long Outstanding Receivables from Exchange Transaction**

1100. The Statement of Financial Position and as disclosed in Note 24(b) to the financial statements reflected long-term receivables from exchange transactions amounting to Kshs. 1,138,255.

1101. However, Management had not provided evidence of recovery efforts in respect of the outstanding balance. Consequently, the recoverability of the receivable could not be confirmed.

## **Management Response**

1102. Management informed the Committee that the receivable related to Mabera Technical and Vocational College. Management further stated that Mabera TVC had acknowledged the outstanding amount and committed to settle the debt once funds become available. The delay in repayment was attributed to cash flow constraints being experienced by the debtor institution.

## ***Committee Observation***

1103. The Committee observed that:

- i. Although the debtor acknowledged the outstanding amount of Kshs. 1,138,255, the commitment to repay remained conditional upon future availability of funds and was not supported by a definite repayment schedule.
- ii. Management had not demonstrated proactive recovery efforts nor undertaken an impairment assessment to determine the recoverability of the receivable.
- iii. The failure to assess and recognize potential impairment of the receivable contravenes International Public Sector Accounting Standard (IPSAS) 41 on Financial Instruments, which requires entities to recognize expected credit losses for doubtful receivables in order to ensure fair presentation of financial statements.

## ***Committee Recommendation***

1104. The Committee recommends that within three (3) months upon adoption of this Report, the Accounting Officer should formalize the repayment arrangement with Mabera TVC through a binding memorandum of understanding stipulating a clear installment payment plan with specific amounts and due dates, and undertake an impairment assessment of the receivable in accordance with IPSAS 41 and reflect any expected credit loss in the subsequent financial statements.

### **10.3.2                    Emphasis of Matter: Budgetary Control and Performance**

1105. The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis amounts of Kshs.615,295,918 and Kshs.501,969,841 respectively, resulting in underfunding of Kshs.113,326,077 or 18% of the budget. Similarly, the Polytechnic expended Kshs.363,583,959 for both recurrent and development expenditure, out of the actual receipts of Kshs.501,969,841, resulting in underutilization of Kshs.138,385,882 or 28%. Further, the Polytechnic overspent on general expenses by Kshs. 3,339,045 or 30% of the budget.

## **Management Response**

1106. Management informed the Committee that delayed and reduced disbursements of funds from the Government affected budget absorption due to limited funds available for utilization. Management further stated that the overspending under general expenses was mainly attributed to graduation-related expenditures which exceeded the amount collected under the clearing vote head.

## ***Committee Observation***

1107. The Committee observed that

- i. Although delayed disbursement of funds may have contributed to budget performance challenges, the significant underutilization of 28% of actual receipts, coupled with overspending on a specific vote, demonstrated weaknesses in budget planning, monitoring, and expenditure control.
- ii. Committing expenditures beyond the approved budget ceilings constitutes poor financial discipline and is inconsistent with the provisions of the Public Finance Management Act, 2012, which requires Accounting Officers to ensure prudent and efficient use of public resources.

## ***Committee Recommendation***

1108. The Committee recommends that the Accounting Officer institute a robust budget monitoring framework to ensure regular review of budget performance, strengthen expenditure controls to prevent spending beyond approved ceilings, and develop a budget absorption improvement plan aimed at achieving at least 90% utilization of actual receipts in future financial years.

### **10.3.3 Unresolved Prior Year Matters**

1109. In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections respectively.

1110. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved:

- i. Receivables from Exchange Transactions (2023/2024)
- ii. Long Outstanding Receivables from Exchange Transactions (2023/2024)
- iii. Budgetary Control and Performance (2023/2024)
- iv. Non-compliance with the law on Affirmative Action (2023/2024)

- v. Improper Constitution of the Board of Governors (2023/2024)
- vi. Delayed Completion of Suba Technical and Vocational College (2023/2024)
- vii. Fire Suppression and Climate Control (2023/2024)

### **Management Response**

1111. Management informed the Committee that the unresolved issues would be addressed by 30 June 2026.

### ***Committee Observation***

1112. The Committee observed that

- i. several audit issues raised in the previous financial year remained unresolved during the current audit period. The recurrence of these matters indicates weak implementation of audit recommendations and inadequate follow-up by Management.
- ii. that a general commitment to resolve all issues by a future date without a detailed implementation framework does not provide sufficient assurance that meaningful progress will be achieved.

### ***Committee Recommendation***

1113. The Committee recommends that within 30 days of adoption of this Report, the Accounting Officer, in accordance with Section 68(1) of the Public Finance Management Act, Cap. 412A, develop and submit to the Auditor-General a detailed action plan for resolving all outstanding audit issues for review.

#### **10.3.4 Non-Compliance with the Laws on Affirmative Action**

1114. Analysis of the personal records and payroll for the month of June, 2025 revealed that the Polytechnic had a workforce of one hundred and ninety (193) employees, out of which one hundred and fifty-four (154) employees were from one ethnic community. This represents 80% of the total workforce, contrary to Sections 7 (1) and (2) of the National Cohesion and Integration Act, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff. (2) No public establishment shall have more than one-third (1/3) of its staff from the same ethnic community.

1115. In addition, no evidence was provided to show that the workforce of one hundred and ninety-three (193) included persons with disabilities, making it impossible to ascertain whether the Polytechnic adhered to Section 13 of Persons with Disabilities Act, 2003 which states that the Council shall endeavor to secure the reservation of five percent (5%) of all

casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities. In the circumstances, Management was in breach of the law.

### **Management Response**

1116. Management informed the Committee that the institution had made progress towards disability inclusion by employing six persons with disabilities (3.1%). Three employees were already registered with the National Council for Persons with Disabilities, while three others were in the process of registration.

### ***Committee Observation***

1117. The Committee observed that despite the progress made toward disability inclusion, the Polytechnic remained in significant breach of Section 7(2) of the National Cohesion and Integration Act, 2008, as 80% of the workforce belonged to one ethnic community, far exceeding the statutory one-third threshold.

### ***Committee Recommendation***

1118. The Committee reprimands the Accounting Officer for breaching Section 7(2) of the National Cohesion and Integration Act, 2008, and recommends that Management immediately implement a targeted recruitment strategy to promote diversity, ensure compliance with the one-third ethnic rule, and progressively achieve the statutory 5% representation for persons with disabilities.

### **10.3.5 Delayed Completion of Suba Technical and Vocational College**

1119. As reported in the previous year, Mawego National Polytechnic entered into a contract with a local company for the proposed construction of Suba Technical and Vocational College on 2 February, 2023 at a contract sum of Kshs.73,894,710. The contract period was fifty-two (52) weeks, commencing on the contract date and ending on 2 February, 2024. As at 30 June 2025, a total of Kshs.56,167,231 had been spent on the project, which includes Kshs.16, 127,290 incurred in the year under review. The project is yet to be completed and is at 90% completion. In the circumstances, the value for money realized from Kshs.56, 167,231 spent on the project could not be confirmed.

## **Management Response**

1120. Management informed the committee that the delay has been occasioned by change in scope of works and general working conditions. The expected completion date is March 31, 2026 with the works at 95 percent.

## ***Committee Observations***

1121. The committee observed that:

- i. the construction project was significantly delayed more than two years behind the original schedule and while a change in scope may justify some extension, the absence of formal documentation approving the scope change and the contract extension, as required by the Public Procurement and Asset Disposal Act, is a serious omission.
- ii. the continued delay, even beyond the newly projected completion date of March 2026, raises concerns about project management, contractor performance, and ultimately, value for money on the public funds already expended.

## ***Committee Recommendations***

1122. The Committee recommends that within six (6) months of the adoption of this report, the Accounting Officer should:

- i. Ensure the complete physical and technical handover of the project through a formal joint inspection ceremony by 30 April 2026. Furthermore, direct the Contracts Committee to review the project file to determine the recoverability of liquidated damages for the delay, as per the Public Procurement and Asset Disposal Act, 2015.
- ii. Submit a comprehensive post-completion report details the final project cost, approvals for any scope changes, and key lessons learned in line with Section 138 of the Public Procurement and Asset Disposal Act, 2015 to the Auditor-General for review.

### **10.3.6 Weaknesses in the Ultimate Academic Enterprise Resource Planning System**

1123. Mawego National Polytechnic procured Ultimate Academic ERP Web-based System to manage student and staff details, collection of fees and financial reporting among other things. Review of the system in the month of September, 2025 revealed that there was lack of segregation of duties within the ICT Department and in the administration of the system because of understaffing. The head of ICT who was also the system administrator had all the rights in the system with no one to oversee it.

1124. In addition, there was no offsite backup solution for the information system posing the risk of information loss in the event of a catastrophic event. The system had seven (7) active accounts, with administrator rights, affiliated to the system vendor provider. Out of these accounts, there were two (2) accounts, Admin and Administer, whose usage could not be linked to a specific individual, thereby limiting accountability.
1125. The presence of the vendor in the system posed integrity concerns about the system. Out of the two hundred and sixty (260) active users in the system, two hundred and thirty-two (232) had system administrator rights. It was therefore impossible to ascertain the integrity of the information system. There was no policy or formal procedure of adding or deactivating user accounts from the system. There was no password policy for users of the system, including mandatory expiry of passwords.
1126. As a result, the logical access controls are weak, making the system integrity questionable. In the circumstances, information stored in the system is prone to manipulation and IT services could be significantly interrupted.

### **Management Response**

1127. Management informed the Committee that the ICT Manager had overall system administration rights in accordance with the institutional ICT policy. Management further stated that the institution maintained off-site cloud backups and that certain vendor accounts existed primarily for system troubleshooting and configuration purposes.
1128. Management also informed the Committee that improvements were underway to enhance password policies and user management controls following the review of the ICT policy in December 2025.

### ***Committee Observation***

1129. The Committee observed that:
- i. the magnitude of ICT control weaknesses identified represents a serious failure in the institution's information systems governance framework.
  - ii. the lack of segregation of duties, excessive administrator privileges, presence of vendor accounts with system access, and inability to trace system actions to individual users expose the Polytechnic's financial and academic data to a high risk of manipulation, unauthorized access, and potential loss.
  - iii. these weaknesses undermine the integrity and reliability of the ERP system.

***Committee Recommendation***

1130. The Committee reprimands the Accounting Officer for failing to establish adequate internal control systems as required under Section 68(1) of the Public Finance Management Act, 2012, which mandates Accounting Officers to ensure effective financial management and proper internal control systems.

## 11.0 BUNGOMA NATIONAL POLYTECHNIC

1131. Dr. Godfrey S. Murunga, Ph.D., Chief Principal/BOG Secretary, accompanied by: -

- i. CPA Munyekenye Peria - Finance Officer
- ii. Mr. Arnold Soita - Procurement Officer
- iii. CHRP Susan Shikuku - Human Resource Officer

appeared before the Committee to adduce evidence on the audited accounts of Bungoma National Polytechnic, on 2<sup>nd</sup> February, 2026.

### 11.1 Audited Statements for Financial Year 2021/22 (Qualified Opinion)

#### 11.1.1 Unsupported Expenditure on Property, Plants and Equipment

1132. The statement of financial position reflects a balance Kshs.877,709,751 in respect of property, plant and equipment which, as disclosed in Note 21 to the financial statements, includes Kshs.510,083,373 relating to buildings. The balance of Kshs.510, 083,373 includes additions during the year of Kshs.32,976,646 out of which capital expenditure totalling Kshs.2,756,372 was not adequately supported by documents like completion certificates, inspection and acceptance reports and Bills of Quantity.

1133. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.877, 709,751 could not be confirmed.

#### Management Response

1134. The construction of classrooms was labour only contract where Sinamujoce Link Investment was contracted at a cost of Kshs.2,523,602 by the time of audit Kshs.2,403,787 had been paid and Kshs.119,815 paid as retention on 9th September 2022 after closure of financial year, upon producing the completion certificate. Materials amounting to Kshs.352,585 among other materials supplied is well supported with acceptance reports and goods received note. Since it was labour only contract there was no Bill of quantity but instead the schedule of materials was used. Table 1 shows the payments made.

*Table 1: Payments for Construction of Class Rooms*

Voucher #	Date	Name	Cheque #	Amount
Moh1888	07/01/2022	Sinamujoce Link Investment	2372	886,972.00
Moh1956	10/03/2022	Sinamujoce Link Investment	2437	471,000.00
Moh1822	18/12/2021	Sinamujoce Link Investment	FA0083	1,043,343.00
Moh 1933	18/02/2022	Kibcom Technologies Ltd	2415	319,780.00
	27/04/2022	Modern Trust Co. Ltd	1398	32,805.00
		<b>Total</b>		<b>2,756,372.00</b>

*Source: Bungoma National Polytechnic, Responses OAG Audit Queries for FY 2021/22*

### ***Committee Observations***

1135. Having examined the supporting documentation submitted, the Committee acknowledges that the matter has been addressed. While no recommendation is issued at this juncture, the Committee underscores that continued compliance in regard to timely submission of all the required supporting documentation to the auditor will be monitored in future audits, as any lapse in compliance detected in future audits shall attract severe sanctions against the culpable officers.

#### **11.1.2 Budgetary Control and Performance**

1136. The statement of comparison of budget and actual amounts reflects a revenue budget and actual on comparable basis amounts of Kshs.312,298,000 and Kshs.237,123,389 respectively, resulting to under-funding of Kshs. 75,174,611 or 24% of the budget. Similarly, the statement reflects actual expenditure of Kshs.222, 191,761 against approved budget of Kshs.312,298,000 resulting to under-performance of Kshs.90,106,239 or 29% of the budget.

1137. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

### ***Management Response***

1138. The management did not receive capitation allocation from the State Department of TVET during fourth quarter of financial year 2021/2022 making it difficult to realize 100% expenditure on the Budget.

### ***Committee Observations***

1139. The Committee observed that, Management did not comply with Section 81(3) of the Public Finance Management Act, 2012 the requires Accounting Officers to include in the financial statements a statement explaining any variations between the actual expenditure and the sums voted.

### ***Committee Recommendation***

1140. The Committee recommends that going forward Management should prepare realistic budgets and always to include in the financial statements a statement explaining any variations between the actual expenditure and the sums voted pursuant to Section 81(3) of the Public Finance Management Act, 2012.

### **11.1.3 Procurement of Sports Uniform and Equipment**

1141. The statement of financial performance reflects an amount of Kshs.160, 887,717 in respect of use of goods and services which, as disclosed in Note 16 to the financial statements, includes Kshs.6, 121,524 relating to activity expense. The amount includes Kshs.971, 000 paid to a supplier for supply of sports uniforms and equipment. However, the expenditure was not supported by: requisition from user department, evaluation report, tender or quotation minutes and report, inspection and acceptance report. In addition, the supplier was not in the list of prequalified suppliers.
1142. This was contrary to Article 227(1) of the Constitution of Kenya which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.
1143. In the circumstances, Management was in breach of the law.

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

1144. The management has availed all supporting documents for the procurement of Games and sports Equipment amounting to Kshs.971,000 which includes: (a) Approved request from user department; (b)Tender evaluation report; (c)Tender minutes; (d)Inspection and acceptance report; and (e)List of suppliers where Giddy sports was among the pre-qualified suppliers

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

1145. Having examined the supporting documentation submitted, the Committee acknowledges that the matter has been addressed. While no recommendation is issued at this juncture, the Committee underscores that continued compliance to the law will be monitored in future audits, as any lapse in compliance detected in future audits shall attract severe sanctions against the culpable officers.

## **11.2 Audited Statements for Financial Year 2022/23 (Qualified Opinion)**

### **11.2.1 Long Outstanding Trade and Other Receivables**

1146. The statement of financial position as at 30th June 2023 and in Note 18 to the financial statements reflects total trade receivables of Kshs.92,365,900 as of 30 June 2023. Review of the accounts receivables listings revealed receivables long outstanding for a period between year 2011 and year 2021 totalling to Kshs.21,869,620. No evidence of Management's effort to recover the outstanding debts was provided for audit.
1147. In the circumstances, the recoverability of trade and other receivables balance of Kshs.92,365,900 could not be confirmed.

### ***Management Response***

1148. The management agrees with the audit findings and has since recovered 6,537,479 through placing reminders of picking of certificates in alumni groups, whereby students have encouraged each other to pick their certificates by clearing fees, it's still making efforts to recover the balance of Kshs. 15,332,141, also the management has tried through dean of student's office to encourage all students with huge fee arrears to apply for HELB loan and bursaries to help them clear outstanding fees.
1149. The management has also come up with measures to reduce on fees balances in future i.e. payment of Kshs.10,200 on admissions, also before registration of exams the students are required to clear fees, students who have sat for their national exams already also have to do clearance and clear with the finance before they are given their certificates.
1150. Schedule of recovered fees, H.O.D minutes, clearance form, dean of students notices, schedule of recovered fees, HELB application notice, Extract of HODs minutes, and Clearance forms are hereby provided for review.

### ***Committee Observations***

1151. The Committee observed that Management did not demonstrate measures to recover the long outstanding receivables.

### ***Committee Recommendations***

1152. The Committee recommends that Management should put in place measures in time for collection of receivables within one (1) month of adoption of this report by the House. The Auditor to report on the effectiveness of the measures put in place in the next audit cycle for FY 2025/26.

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

1153. The statement of financial position reflects property, plant and equipment balance of KShs.886,004,367 as disclosed in Note 20 to the financial statements. However, updated non-current asset register was not provided for audit review.
1154. In the circumstances, the accuracy and completeness of plant property and equipment balance of KShs.886,004,367. could not confirmed

### ***Management Response***

1155. The updated noncurrent–asset register was not availed because the Polytechnic had not received the valuation report from Geoplan by the end of FY 2022/2023, but it has since been updated as per the FY 2023/2024.

### ***Committee Observations***

1156. The Committee observed that Management did not demonstrate why valuation had not been done as at close of financial year pursuant to Paragraph 27 of IPSAS.

### ***Committee Recommendation***

1157. The Committee recommends that within one (1) month of adoption of this report by the House, Management to the valuation is concluded and the auditor to report on this in the next audit cycle.

## **11.2.3 Failure to Disclose Biological Assets**

1158. The Statement of Financial position for the year as at 30th June 2023 and Note 20 to the financial statements reflects balances of property, plant and equipment costs totaling Kshs.886,004,367. Biological Assets were not included in the financial statement. Additionally. The institute did not maintain assets register for the FY 2022/2023 that agree with the financial statements.

1159. Under the circumstances, the accuracy and completeness of Plant Property and Equipment balance of Kshs. 886,004,367 could not be confirmed.

### ***Management Response***

1160. The management received the valuation report from Geoplan consultants in February 2024. The Biological assets have been included in the financial statement for the period of FY 2023/2024 as evidenced by the attached Geoplan report extract and Extract of financial statement for FY 2023/2024 showing biological asset.

### ***Committee Observations***

1161. The Committee observed that since the valuation was not completed, Management could not disclose the assets.

### ***Committee Recommendation***

1162. The Committee recommends that Management to promptly conclude on the valuation with one (1) month of adoption of this report by the House. The Auditor to report this in the next audit cycle.

## **11.2.4 Budget Control and Performance**

1163. The statement of comparison of budget and actual amounts indicates that the institute's revenue budget for the year under review amounted to Kshs.274,521,780 while the actual

revenue was Kshs.202,617,944 funding resulting to under receipts by Kshs.71,903,736 or 26%.

1164. Further, the institute approved expenditure budget was Kshs.274,521,780 while the actual expenditure was Kshs.171,826,729 resulting to under expenditure of Kshs.102,695,051 or 37% of the budget.
1165. This therefore meant that the operations of the institute were negatively affected due to lack of funds resulting from both the Government grants, sale of goods and fees from students.
1166. In the circumstances, the under expenditure on the budget may lead to distortion of the institute's annual work plan which could adversely affects service delivery.

### ***Management Response***

1167. The management is in agreement with the observation, however the variance was caused by non-remittance of capitation from the government, because the National Treasury did not remit 4th quarter capitation and also the students allocation reduced from Kshs.30,000 per student to Kshs.13,000 in the Financial Year 2022/2023, also HELB remittance was low, resulting in underfunding and underspending during the financial year.

### ***Committee Observations***

1168. The Committee observed that this matter is a recurrence from the previous Financial Year and therefore reiterates the recommendations issued earlier on this matter.

#### **11.2.5            *Unresolved prior year matters***

1169. In the report for the previous year, issues were raised under report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, the Management had not resolved the issues or given explanation for delay in resolving the issues.

### ***Management Response***

1170. The management is yet to receive recommendations from the Parliamentary Investment Committee for implementation for the past years.

### ***Committee Observations***

1171. The Committee observed that the unresolved matters relates to previous Financial Years where the Committee had made recommendations and therefore reiterates the recommendations issued earlier on these matters.

### **11.2.6 Non-compliance with law on staff ethnic diversity**

1172. Review of payroll records revealed that, as at 30 June 2023, Sangalo institute of Science and Technology had a total of two hundred and sixty-two (262) employees. However, 84% were from the dominant community contrary to section 7(2) of the National Cohesion and integration Act, 2008, which stipulates that no public establishment should employ more than one-third of its staff from same ethnic community.
1173. In the circumstance, Management was in breach of the law.

#### **Management Response**

1174. The management agrees with the audit findings, however it has diversified its recruitment as per the PSC trainers July 2024 recruitment, internal auditor's recruitment and IGU manager's recruitment where recruitments were made from diverse community.

#### **Committee Observations**

1175. The Committee observed that Management is making efforts to ensure compliance to the law by diversifying its recruitment as per the PSC trainers July 2024 recruitment.

#### **Committee Recommendations**

1176. The Committee hereby give Management 2 year from the date of adoption of this report by the House the comply with section 7(2) of the National Cohesion and integration Act, 2008. Further, the Auditor to report annually on the progress made in ensuring compliance with the law.

### **11.2.7 Weakness in information Communication Technology (ICT) Internal Controls**

1177. Review of the Company's Information Technology (IT) internal control and risk management processes revealed that the institute did not have an IT strategy committee and IT steering committee. In addition, policies in respect of physical access to IT environments were not place. Further, the Institute did not have disaster management and recovery policies in place including fire suppression systems. The institute did not have business continuity plan and IT continuity plan including an off-site back-up plan.
1178. In the circumstances the effectiveness of internal controls on institutes Information Technology (IT) management could not be confirmed.

#### **Management Response**

1179. The management agrees with the findings and has appointed IT strategy and IT Steering committee who will spear head coming up of ICT strategic plan and mitigation of risks

associated with ICT which includes purchase of backup system and remote server, backup system has been requested and approved awaiting procurement process.

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

1180. The Committee observed that Management is making progress in having the controls in place as required by Regulation 110 (1) (b) of the Public Finance Management (National Governments) Regulations, 2015.

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

1181. The Committee recommends that Management within three months of adoption of this report by the House, Management ensures that the controls are in place. The Auditor to report on this directive in the next audit cycle.

### **11.2.8 Failure to Evaluate Board's Performance**

1182. The statement of financial performance and Note 13 to the financial statements reflects Board expenses amounting to Kshs.8, 650,667. There was no evidence availed for audit to show that the Board carried out an annual evaluation of its performance at the end of the period.

1183. In the circumstances, the performance of the Board and effectiveness of the institute's governance could not be confirmed.

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

1184. The management agrees with the audit findings, however board evaluation was held between 31st January 2023 to 3rd February 2023 held in Nakuru and by the time of audit, had not received the report from the ministry, but latter we received a board evaluation report.

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

1185. Having examined the supporting documentation submitted, the Committee is satisfied that the matter has been duly addressed. Accordingly, no recommendation is issued on this matter.

### **11.3 Audited Statements for Financial Year 2023/24 (Qualified Opinion)**

#### **11.3.1 Long Outstanding Trade and Other Receivables**

1186. The statement of financial position reflects current receivables from exchange transactions relating to student debtors balance of Kshs.102,922,776 as disclosed in Note 19 to the financial statements. However, review of the ageing analysis revealed that receivables

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totaling Kshs.46,655,360 had been outstanding for a period over a year with no clear framework of recovery. Further, Management did not provide approved debt management policy for review.

1187. In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables balance of Kshs.102,922,776 could not be confirmed

### ***Management Response***

1188. The management agrees with the audit findings and has since recovered 18,649,982 through measures including: students exam clearance form, students who have sat for their national exams already also have to do clearance and clear with the finance before they are given their certificate, students clearance form.

1189. To reduce the remaining fee balance of Kshs.28,005,738, the management has tried through dean of student's office to encourage all students with huge fee arrears to apply for HELB loan and bursaries to help them clear outstanding fees.

1190. To reduce future balances, the management has also come up with measures such as payment of Kshs.10,200 on admissions. HODS meeting minutes and also before registration of exams the students are required to clear fees, see the submitted schedule of recovered fees, HELB application notice, Extract of HODs minutes, and Clearance forms hereby provided for review.

### ***Committee Observations***

1191. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

## **11.3.2 Unsupported Property, Plant and Equipment Balance**

1192. The statement of financial position reflects property, plant and equipment balance of Kshs.1,687,244,747 which, as disclosed in Note 21 to the financial statements, includes additions during the year of Kshs.35,627,699 of which Kshs.12,000,000 relate to computers donated from the ICT Authority. However, Management has not provided valuation report to ascertain the accurate value of the computers.

1193. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,687,244,747 could not be confirmed.

### ***Management Response***

1194. The management noted that the values of computers were not ascertained during handing over of the computers from ICT authority and are making efforts to value the computers

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before December 2025, the management has included valuers in the list of prequalified suppliers.

### ***Committee Observations***

1195. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

#### **11.3.3 Inaccuracies of Opening Balances on Revaluation Reserves**

1196. The statement of financial position and statement of net assets for the financial year 2022/2023 shows revaluation reserve balances of Kshs.930,768,984 while the financial statements for the year 2023/2024 show comparative revaluation reserve of Kshs. Nil resulting to unexplained variance of Kshs.930,768,984.

1197. In the circumstances, the accuracy and completeness of opening revaluation reserve balance of Kshs.930,768,984 could not be confirmed.

### ***Management Response***

1198. The opening balance of revaluation reserve for FY 2023/2024 has been amended to reflect true opening balance of Kshs.930,768,980 subsequently revaluation gain has been adjusted accordingly. See submitted amended extract statement of changes in net assets for FY 2023/2024, Amended statement of financial position for FY 2023/2024, and Extract of FY 2022/2023 statement of changed in net asset and statement of financial position.

### ***Committee Observations***

1199. The Committee observed that Management has made progress in doing the required adjustments in the FSs in compliance with International Public Sector Accounting Standards 1.

### ***Committee Recommendation***

1200. The Committee recommends that going forward, Management to always comply with International Public Sector Accounting Standards 1, as any lapse in compliance detected in future audits shall attract severe sanctions against the culpable officers.

#### **11.3.4 Budget Control and Performance**

1201. The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis amounts of Kshs.381,723,561 and Kshs.268,937,346 respectively, resulting to under-expenditure of Kshs.112,786,215 or 30% of the budget.

1202. The under-expenditure may have negatively affected the planned activities and service delivery to the public.

***Management Response***

1203. Management informed the Committee that during the financial year, government scholarships of most students and capitation 4th quarter were not received within the budget period instead was receipt in September 2024 three months after closure of financial year which resulted to under-expenditure of the budget of by 30% see attached the letter on receipt of scholarship arrears in September 2024

***Committee Observations***

1204. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

**11.3.5 Undisclosed transition from Science and Technology institute to The National Polytechnic**

1205. The National Polytechnic through legal Notice no.13 of 18 January, 2024 changes Sang'alo Institute of Science and Technology to the Bungoma National Polytechnic. However, the changes have not been disclosed in the financial statements.

***Management Response***

1206. Management informed the Committee that the transition was disclosed in the Key entity information under the Background information on non-financial report.

***Committee Observations***

1207. Having examined the supporting documentation submitted, the Committee is satisfied that the matter has been duly addressed. Accordingly, no recommendation is issued on this matter.

**11.3.6 Non-compliance with law on staff ethnic diversity**

1208. Review of staff biodata for the month of June 2024, revealed that the Polytechnic had two hundred and twenty –six (226) members of staff on contract. Permanent and pensionable terms, out of which one hundred and ninety-one (191) staff members or 85% were from one ethnic community. 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.

1209. In the circumstances, Management was in breach of the law.

***Management Response***

1210. Management informed the Committee that PSC recruitment 2024 and recent support staff recruitment, the management ensured that they recruited staff of diverse ethnic groups.

***Committee Observations***

1211. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

**11.3.7 Non-Compliance With Law on Employment of Persons with Disabilities**

1212. Analysis of the staff biodata for the period ended 30 June, 2024 showed that there was no representation of the persons with disability in the employment of staff within the Polytechnic contrary to the Public Service Human Resource Policies and Procedures manual 2016, Paragraph B.23 which states that provided persons with disabilities have the necessary qualifications and are suitable for such employment, they shall be accorded equal employment opportunities and the Government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities

1213. In the circumstances, Management was in breach of the law.

***Management Response***

1214. The management agrees with the audit findings but after the recent examination of persons living with disability the polytechnic has made the threshold of 5% as per the population.

***Committee Observations***

1215. The Committee observed that the institution was below the 5% threshold as the Management has provided disability certificate for seven (7) staff translating to 3% of staff with disability.

***Committee Recommendations***

1216. The Committee recommends that within six (6) months of adoption of this report by the House, Management put in place deliberate measures to ensure compliance with Public Service Human Resource Policies and Procedures manual 2016, Paragraph B.23.

### **11.3.8 Information Communication Internal Control Environment**

1217. Review of Information Technology (IT) controls environment and records of the institution revealed that even though the Polytechnic had an IT department, it lacked an ICT strategic plan, an IT Steering Committee, and a remote server backup system contrary to Regulation 110 (1) (b) of the Public Finance Management (National Governments) Regulations, 2015 which states that Accounting Officers for a National Government entity should institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity
1218. In the circumstances, the Polytechnic lacks oversight function and strategic direction to ensure that IT department functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way while lack of remote backup system exposes the institution to loss of sensitive data in the event of a disruption or emergency that might have a huge financial impact.

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

1219. The management has appointed the IT steering committee to spearhead the ICT strategic plan and risk mitigation strategies which includes purchase of server backup. The acquisition of server backup system has commenced as evident by approved user requisition form (*See attached appointment letter of ICT steering committee and Purchase of server*).

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

1220. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

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

### **11.4.1 Long Outstanding Trade and Other Receivables**

1221. The statement of financial position reflects current portion of receivables from exchange transactions balance of kshs.96,216,069 and as disclosed in Note 20 to the financial statement however, review of the receivables ageing analysis revealed that debtors totaling to kshs.86,030,428 had been outstanding for a period of more than twelve (12) months and management did not provide approved debt management policy for audit review.
1222. In the circumstances, the accuracy, completeness and recoverability of the current portion of receivables from exchange balance of kshs.86,030,048 could not be confirmed.

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

1223. The management agrees with the audit report on long outstanding trade and other receivable of kshs.86, 030,428. However, this is a prior year matter which the management is still waiting for recommendation from the Parliamentary Investment Committee.
1224. The management recovered a total of kshs.19,508,785/= between July and December 2025 through measures that included: Clearance of fee arrears before booking the examination for the next module; Clearance of fees before issuance of certificate; and conducting of 1st graduation ceremony as a National Polytechnic on 9Th December 2025 which encouraged students to clear fees before graduation.
1225. To reduce the remaining fee balance of kshs.73,522,821 the management has encouraged all student to apply for bursaries and HELB loans which will help them reduce the balances.
1226. The management is also expecting scholarship fee from the State Department of TVET which will also reduce the fee arrears.
1227. To reduce future accumulation of fee arrears the management through the polytechnic council approved budget Policy which contains clause 3.12(1) that put emphasis on fee collection and debt management issues. (See attached Schedule of recovered fees; Budget policy; Helb application notice; Call for graduation ceremony; and clearance form for examination booking and issuance of certificates)

### ***Committee Observations***

1228. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

#### **11.4.2 Unconfirmed Property Plant and Equipment**

1229. The statement of financial position reflects property, plant and equipment balance of kshs.1,738,394,449 as disclosed in Note 23 to the financial statements. The balance includes cost of computers donated by the information communication technology (ICT) authority amounting to kshs.12,000,000 which were not supported by a valuation report to ascertain their accurate value.
1230. Further, note 23 excludes comparative analysis of cost and depreciation of assets for the year ended 30th June 2025 as required by the reporting template.

### ***Management Response***

1231. The management has noted that this is a prior year matter and is still waiting for recommendation from parliamentary investment committee, nevertheless the procurement process has been finalized and the valuation of all assets which includes land, equipment's,

computers, motor vehicles, furniture's and biological assets commenced on 19th January 2025.

1232. The comparative analysis of cost and depreciation of assets for the year ended 30th June 2025 has been corrected on the financial statement. (See attached signed contract of valuation of assets and Extract of comparative cost and depreciation of asset)

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

1233. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

#### **11.4.3 Budgetary Control And Performance**

1234. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of kshs.564,486,738 and kshs.476,022,390 respectively, resulting to under-funding of kshs.88,464,348 or 16% of the budget. Similarly, the polytechnic spent a total of kshs.505,527,455 against a budget of kshs.564,486,738 resulting to under-funding of kshs.58,959,283 or 10% of the budget
1235. The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

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

1236. The management agrees that there was underfunding and underspending of budget of 16% on receipts and 10% on expenditure due to less funds that was received as fees and non-remittance of government scholarship in the year 2024-2025Ffy and fourth quarter capitation.

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

1237. The Committee observed that the issue is a recurrence from the previous FYs and reiterates the recommendations issued earlier on this matter.

#### **11.4.4 Unresolved Prior Year Matters**

1238. In the audit report of the previous year, several issues raised under the report of financial statements, report on lawfulness and effectiveness in the use of public resources and report on effectiveness on internal control, Risk Management and Governance as detailed in Appendix 1.however, Management has not resolved the issues or given any explanation for failure to resolve the issues.

### ***Management Response***

1239. The management is yet to receive recommendations from the parliamentary investment committee for the implementation of the past year's recommendations.

### ***Committee Observations***

1240. The Committee observed that the issues relate to previous FYs covered in this report and reiterates the recommendations issued earlier on these matters. Further, the Auditor shall report on the implementation of the Committee's recommendations in the next audit cycle.

#### **11.4.5 Failure to Remit Statutory Deductions**

1241. The statement of financial position Note 29 to the statements reflects a balance of kshs.1,809,197 for employee benefit obligations. However, review of statutory deductions and remittances records revealed that management did not remit deductions to the old mutual pension scheme for thirteen (13) employees contrary to section 33(1) of the Retirement Benefits Act, 2012, which states that notwithstanding the provisions of any written law for the time being in force, an employer may, with the approval of his employees, pay any statutory contributions in respect of such employees into any scheme fund prescribed for that purpose.
1242. In the circumstance, Management was in breach of the law.

### **Management Response**

1243. The management is in agreement that by the closure of FY 2024/2025, the management had an arrears of kshs.1,809,197 due to old mutual retirement, the balance was as a result of all staff transiting from the service gratuity scheme to pension scheme in 2019 where the management was required to remit a total of kshs.5,886,996 as cash transfer from service gratuity scheme to pension scheme. Management has been remitting the amount to old mutual retirement scheme quarterly considering the staff who are almost retiring and the availability of funds from kshs.5,886,996 to the balance of kshs.1,809,197 at the end of June 2025
1244. The management remitted ksh.602,000 on 12th January 2026 for this quarter and commits to complete the balance of kshs.1,207,197 in two instalments of kshs.603,598 each before 30th June 2026. (See Schedule for pension scheme balances on June 2019; Current scheme balance; and Payment voucher of remittance made this quarter)

### *Committee Observations*

1245. The Committee observed challenges of cash resulted in non-remittance, but they are making good progress in ensuring that all the amounts have been remitted as required by the law.

### *Committee Recommendations*

1246. The Committee recommends that the Auditor to review the progress made in having this cleared in the next audit cycle.

#### **11.4.6 Non-Compliance with Law on Staff Ethnic Diversity**

1247. Review of records maintained by management revealed that the Polytechnic had 288 employees as at 30th June 2025. However 252 members of staff or 88% were from one dominant ethnic community. This was 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 no public institution shall have more than one third of its staff establishment from the same ethnic community.

1248. In the circumstances, management was in breach of the law.

### **Management Response**

1249. The management agrees that current staffing profile does not fully comply with legal requirement on ethnic diversity. The management has initiated a comprehensive plan to ensure future hires reflect the diversity requirement set out in law.

1250. During the recruitment of trainers in the year 2024-2025fy out of 19 trainers recruited, 11 came from diverse ethnic groups, representing 57%. Also, the management recruited two internal audit staff and IGU officer from different ethnic groups. (See attached Appointment letters of non-teaching staff and List of PCS recruited staff for FY 2024/2025)

### *Committee Observations*

1251. The Committee observed that the issue is a recurrent from the previous FYs and reiterates the recommendations issued earlier on this matter.

#### **11.4.7 Delayed Completion of Fashion and Design Workshop**

1252. Management incurred an expenditure of kshs.2,857,727, on procurement of materials for construction of fashion and design workshop between 11 October, 2024 and 07 January, 2025 and the project was to be executed by students under practical assignments in the department of building. However, physical verification carried out on 30th November, 2025 showed that the project completion was estimated at 80% complete with no sign of works on going and had stalled as at the time of audit.

1253. In the circumstances, value for money has not been obtained from the project.

**Management Response**

1254. The management had a plan to complete the construction of the fashion and design workshop which was executed by the students in building department by the end of FY 2024/20245, but due to financial constraint, the construction was put on hold as the polytechnic concentrated on the co- mandate of offering training.

1255. The building was at 80% complete and the management has set aside kshs.1,040,000 in the financial year 2026/2027 to complete the construction.

**Committee Observations**

1256. The Committee observed that Management has plan in place to complete the construction of workshop by setting aside kshs.1,040,000 in the financial year 2026/2027 to complete the construction.

**Committee Recommendations**

1257. The Committee recommends that Management fastrack completion of the project. The Auditor to report on the progress made in the next audit cycle.

SIGNED.......... DATE..........

**HON. WANAMI WAMBOKA, CBS, M.P.**

**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND  
EDUCATION**

THE NATIONAL ASSEMBLY

13TH PARLIAMENT –FIFTH SESSION (2026)

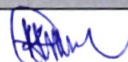


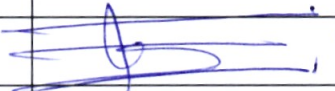
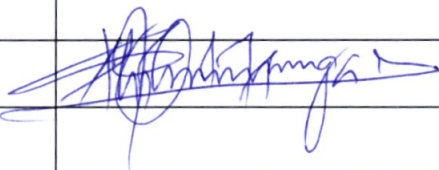




PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

Date : 19/3/2026 Venue : ARGYLE GRAND HOTEL

Time Started: 4.00 PM Time Ended: 6.00 PM

AGENDA: ADOPTION OF COMMITTEE REPORT (12<sup>TH</sup> REPORT) OF NATIONAL  
PURVEENICS FOR FINANCIAL YEAR 2021/2022 - 2024/2025

	HON. MEMBER	SIGNATURE
1.	Hon. Wanami Wamboka, CBS, MP - Chairperson	
2.	Hon. Boyd Were Ong'ondo MP – Vice-chairperson	
3.	Hon. Mark Muriithi Mwenje, CBS, MP	
4.	Hon. (Dr.) Shadrack Mwiti Ithinji MP	
5.	Hon. Moses Kirima Nguchine, MP	
6.	Hon. Wamacukuru Githua Kamau, CBS, MP	
7.	Hon. Alfa Ondieki Miruka, CBS, MP	
8.	Hon. Bonaya Mumina Gollo, MP	
9.	Hon. Chiforomodo Mangale Munga, MP	
10.	Hon. Daniel Karitho Kiili, MP	
11.	Hon. (Amb)Francis Sigei Kipyegon, EBS, MP	
12.	Hon. Joseph Tonui Kipkosgei, MP	
13.	Hon. Maurice Kakai, Bisau MP	
14.	Hon. Rebecca Tonkei Noonaiishi, MP	
15.	Hon. Thuddeus Nzambia Kithua, MP	

**MINUTES OF THE 21<sup>ST</sup> SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON THURSDAY, 19<sup>TH</sup> MARCH, 2026 IN ARGYLLE GRAND HOTEL AT 4:00PM.**

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**PRESENT**

1. **Hon. Wanami Wamboka, CBS, MP** - **Chairperson**
2. Hon. Bobby Ong'andu Were, MP - Vice Chairperson
3. Hon. Mark Muriithi Mwenje, CBS, MP
4. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
5. Hon. Daniel Karitho Kiili, MP
6. Hon. Joseph Tonui Kipkosgei, MP
7. Hon. Thuddeus Nzambia Kithua, MP
8. Hon. Moses Kirima Nguchine, MP
9. Hon. Alfa Ondieki Miruka, CBS, MP

**APOLOGIES.**

1. Hon. Wamacukuru Githua Kamau, CBS, MP
2. Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP
3. Hon. Bonaya Mumina Gollo, MP
4. Hon. Chiforomodo Mangale Munga, MP
5. Hon. Rebecca Tonkei Noonaishi, MP
6. Hon. Maurice Kakai Bisau, MP

**IN ATTENDANCE**

**COMMITTEE SECRETARIAT**

1. Ms. Ruth Mwhaki - Clerk Assistant I
2. Mr. Enock Manwa - Clerk Assistant III
3. Ms. Eunice Liavuli - Research Officer III
4. Mr. Stephen Otieno - Sergeant at Arms
5. Mr. Peter Muthethia - Audio Recording Officer

**OFFICE OF THE AUDITOR GENERAL**

1. Mr. Lawrence Kiilu - Deputy Director of Audit
2. Mr. Felix Itonge - Principal Auditor/Liaison Officer

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/043:      PRELIMINARIES**

The meeting was called to order at ten minutes past twenty-five minutes past four O'clock (4.25 p.m.), followed by a word of prayer. Thereafter, the Chairperson welcomed the Members to the meeting.

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/044:      ADOPTION OF THE AGENDA**

The agenda of the meeting was adopted with amendments, having been proposed and seconded by Hon. Daniel Karitho Kiili, M.P and Hon. Joseph Tonui Kipkosgei, M.P.

**AGENDA:**

1. Prayers;
2. Preliminaries/Introduction
  - i. Adoption of the Agenda;
  - ii. Confirmation of minutes of previous sittings and matters Arising
3. Consideration of the Committee Report on the Examination of the Reports of the Auditor General on Financial Statements of State Corporations (Various Universities) for Financial Year 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024 & 2024/2025
4. Consideration of the Committee report on the examination of the reports of the Auditor General on financial statements of state corporations (National Polytechnics) for the Financial Years 2021/2022, 2022/2023, 2023/2024, 2024/2025.
5. Any Other Business; and
6. Adjournment.

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/ 045      CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETINGS**

Minutes of the First Sitting held on 2<sup>nd</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Mark Muriithi Mwenje,CBS, M.P and seconded by the Hon.Moses Kirima Nguchine, M.P.

Minutes of the Second Sitting held on 10<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Daniel Karitho Kiili, M.P and seconded by the Hon.Thuddeus Nzambia Kithua, M.P.

Minutes of the Third Sitting held on 11<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Mark Muriithi Mwenje, CBS, M.P and seconded by the Hon. Joseph Tonui Kipkosgei, M.P.

Minutes of the Fourth Sitting held on 12<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Daniel Karitho Kiili, M.P and seconded by the Hon. Thuddeus Nzambia Kithua, M.P.

Minutes of the Fifth Sitting held on 17<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Joseph Tonui Kipkosgei, M.P and seconded by the Hon. Moses Kirima Nguchine, M.P.

Minutes of the Sixth Sitting held on Tuesday, 17<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Daniel Karitho Kiili, M.P and seconded by the Hon. Thuddeus Nzambia Kithua, M.P.

Minutes of the Seventh Sitting held on Tuesday, 18<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Moses Kirima Nguchine, M.P and seconded by the Hon. Joseph Tonui Kipkosgei, M.P.

Minutes of the Eighth Sitting held on Wednesday, 24<sup>th</sup> February,2026 were confirmed as true records of the proceedings having been proposed by the Hon. Daniel Karitho Kiili, M.P and seconded by the Hon. Joseph Tonui Kipkosgei, M.P.

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/046 CONSIDERATION OF THE COMMITTEE REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATIONS (VARIOUS UNIVERSITIES) FOR FINANCIAL YEAR 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024 & 2024/2025**

The Committee considered the report on the examination by the Auditor General for Financial Years 2018/2019-2024/2025 for the following agencies

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

## **GENERAL OBSERVATIONS AND RECOMMENDATIONS**

The Committee noted that, unlike in previous reports where institutions faced numerous challenges relating to financial statements and audit matters, the institutions have generally improved in the latest financial statements, having become more sensitized on audit matters and audit processes.

In consideration of reports of the universities, the Committee encountered cross-cutting and at times, persistent matters that informed the general observations and recommendations. Specific observations and recommendations are, however, made in relation to the respective agency.

### **1. Poor Accounting Standards**

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

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

### **2. Late submission of supporting documentation**

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

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

### **3. Unsecured/ untitled land holdings**

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

*The committee recommended that the Ministry of Lands, and the relevant government agencies, should fast-track the titling and registration of all institutional land holdings to ensure legal*

*ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment.*

*Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.*

#### **4. Failure to adhere to gender, ethnicity and regional balance**

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

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

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

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

#### **5. Non-compliance with Affirmative Action on Employment**

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

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

#### **6. Delay of disbursements of capitation to the Institutions**

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

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

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

### **7. Unsustainable Wage Bill**

The Committee observed that the wage bill in all the institutions examined is high, which is contrary to Regulation 25(1) (b) of the Public Finance Management (National Government) Regulations, 2015 which states that staff costs of a public entity should not exceed 35% of its total revenue.

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

#### *Committee Recommendation*

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

**The Committee adopted the report having been proposed by Hon. Theddues Nzambia, MP and seconded by Hon. Moses Kirima, MP., respectively.**

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/047: CONSIDERATION OF THE COMMITTEE REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATIONS (NATIONAL POLYTECHNICS) FOR THE FINANCIAL YEARS 2021/2022, 2022/2023, 2023/2024, 2024/2025.**

The Committee considered the report on the examination by the Auditor General for Financial Years 2021/2022-2024/2025 for the following agencies

- 1) Kabete National Polytechnic 2021/2022 to 2024/2025
- 2) Kenya Coast National Polytechnic 2021/2022 to 2024/2025
- 3) Kisumu National Polytechnic 2021/2022 to 2024/2025
- 4) Michuki National Polytechnic 2021/2022 to 2024/2025
- 5) Nairobi National Polytechnic 2021/2022 to 2024/2025
- 6) Nyamira National Polytechnic 2022/2023 to 2024/2025
- 7) Taita Taveta National Polytechnic 2022/2023 to 2024/2025
- 8) Mawego National Polytechnic 2022/2023 to 2024/2025 and:
- 9) Bungoma National Polytechnic 2021/2022 to 2024/2025

## **GENERAL COMMITTEE OBSERVATIONS AND RECOMMENDATIONS**

In consideration of the reports submitted by various state agencies, the Committee noted several cross-cutting and, at times, persistent issues that shaped its general observations and recommendations. Specific findings and recommendations are, however, addressed in relation to the respective agencies.

Having conducted a comprehensive examination of the Auditor-General's reports on the audited accounts, the Committee made the following general observations regarding recurring audit queries and systemic challenges affecting the Technical and Vocational Education and Training (TVET) sector.

### **1. Failure to adhere to gender, ethnicity and regional balance**

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

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

### ***Committee Recommendations***

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

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

#### **2. Non-compliance with Affirmative Action on Employment**

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

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

#### **3. Long outstanding receivables**

The Committee observed that persistent and unsustainable accumulation of long-outstanding receivables across the institutions, largely comprising student debtors and other legacy debts dating back several years, with minimal or no evidence of effective recovery or write-off action. This is indicative of weak debt management practices, failure to enforce credit control policies, and non-compliance with impairment and provisioning requirements under IPSAS 41, resulting in overstatement of assets and misrepresentation of the financial position.

Further, the continued retention of irrecoverable debts, including those relating to deceased persons and former employees, without requisite approvals reflects poor financial stewardship and a breach of the responsibilities of Accounting Officers under Section 68 of the Public Finance Management Act.

### ***Committee Recommendations***

*The Committee recommended that all Accounting Officers conduct a comprehensive reconciliation of all student debtors and submit detailed ageing analyses to the Auditor-General within three (3) months of the adoption of this report. Further, Accounting Officers must assess the recoverability of all receivables outstanding for more than one year and recognize appropriate impairment provisions in the financial statements in compliance with IPSAS 41, within three (3) months.*

*Where receivables are deemed irrecoverable, including debts owed by deceased persons, former employees, or students who have left the institution, Accounting Officers must obtain formal write-off authority from the National Treasury within six (6) months, in accordance with Section 68 of the Public Finance Management Act, to ensure proper financial management and accountability.*

#### **4. Budgetary Control and Performance**

The Committee observed that there were persistent and widespread budgetary control and performance challenges across the institutions, characterized by significant underfunding, under-expenditure, and instances of over-expenditure without approved supplementary budgets, reflecting weak budget formulation, poor expenditure control, and over-reliance on government capitation.

Further, the failure by institutions to provide explanations for material variances between budgeted and actual amounts in their financial statements contravenes Section 81(3) and undermines the responsibilities of Accounting Officers under Section 68(2) of the Public Finance Management Act, as well as the requirements of IPSAS 24, thereby affecting transparency, accountability, and effective service delivery.

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

*The Committee recommended that within three (3) months upon adoption of this report, all Accounting Officers strengthen budget formulation processes to ensure that projections are realistic, achievable, and informed by historical revenue performance, confirmed funding commitments, and prevailing economic trends, in line with the principles of prudent financial management under the Public Finance Management Act.*

*Further, all institutions must ensure that their financial statements include a clear and comprehensive statement explaining material variances between budgeted and actual amounts in compliance with Section 81(3) of the Public Finance Management Act and the requirements of IPSAS 24.*

*The Committee further recommended that the Ministry of Education and the National Treasury ensure timely and adequate disbursement of capitation funds to TVET institutions to facilitate the effective implementation of approved budgets and mitigate the accumulation of receivables.*

#### **5. Institutional Land holdings**

The Committee noted several instances where land owned by various institutions remained unsecured and lacked proper title documentation. The absence of legal ownership records exposes these institutions to risks, including land disputes, encroachment, and potential loss of property. In some cases, institutions were occupying land without formal titles, making it difficult to undertake development projects.

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

*The Committee recommended that the Ministry of Lands and the relevant government agencies should fast-track the titling and registration of all institutional land holdings to ensure legal ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment.*

*In additionally, the government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.*

## **6. Procurement irregularities and Non-Compliance with Procurement laws**

The Committee observed pattern of systemic procurement irregularities and non-compliance across the institutions, including unlawful advance payments, use of inappropriate procurement methods, awards to non-compliant bidders, procurements outside approved plans, and inadequate documentation, contrary to the provisions of the Public Procurement and Asset Disposal Act. In particular, the irregular award of tenders without mandatory statutory compliance, unauthorized advance payments, and transfer of public funds to unregulated entities expose public resources to significant risk of loss and undermine transparency, accountability, and value for money in public procurement.

### ***Committee Recommendations***

*The Committee recommended that all Accounting Officers ensure strict compliance with the provisions of the Public Procurement and Asset Disposal Act by enforcing competitive bidding, adhering to approved procurement methods, and obtaining all requisite approvals prior to undertaking any procurement.*

*Further, institutions must prepare realistic and comprehensive annual procurement plans in the prescribed format, fully aligned with the approved budget, and ensure that no procurement is undertaken outside the approved plan.*

*Additionally, all procurement processes must be properly and fully documented, including requisitions, evaluation reports, tender committee minutes, inspection and acceptance reports, and duly executed contracts, to enhance transparency, accountability, and audit trail in public procurement.*

## **7. Compliance with Statutory and Reporting Requirements**

The Committee observed non-compliance with statutory requirements and financial reporting standards across the institutions, including failure to remit statutory deductions, preparation of financial statements that do not conform to prescribed reporting standards by the Public Sector Accounting Standards Board, and violation of the one-third basic pay rule contrary to the Employment Act. These irregularities undermine the integrity, accuracy, and reliability of financial reporting, expose employees to financial risk, and reflect weak internal controls and inadequate adherence to established legal and regulatory frameworks.

**Committee Recommendations**

The Committee recommended that all Accounting Officers ensure timely and full remittance of statutory deductions, including PAYE, NSSF, NHIF, Housing Levy, NITA, and pension contributions, to the respective authorities in compliance with applicable laws. Further, institutions must prepare financial statements in strict adherence to the reporting templates and standards prescribed by the Public Sector Accounting Standards Board, ensuring completeness, accuracy, and inclusion of all required disclosures, notes, and reconciliations.

The Committee further recommended that Accounting Officers enforce strict compliance with Section 19(3) of the Employment Act by monitoring payroll deductions to ensure that they do not exceed the statutory limit, and by advising affected staff on appropriate loan restructuring mechanisms. Institutions must also maintain accurate and complete payroll records for all employees, including casual and contract staff, to enhance accountability and auditability.

In addition, the Committee recommended that all trainers be registered and licensed by the Technical and Vocational Education and Training Authority in accordance with Section 23 of the Technical and Vocational Education and Training Act within six (6) months.


The Committee adopted the report having been proposed by Hon. Mark Muriithi Mwenje, CBS, MP and seconded by Hon. Daniel Karitho Kiili, MP.

**MIN.NO. NA/DAAGPC/PIC-G & E/2026/040: ADJOURNMENT/ DATE OF NEXT MEETING**

There being no other business the meeting was adjourned at 6:00 pm. The next meeting will be on notice.

Signed..........Date.....<sup>2<sup>ND</sup></sup> APRIL 2026.....

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 02 APR 2026	
DAY: Thursday 11	
TABLED BY:	Chairperson Hon. Wanami Wamboka, CBS, MP
CLERK-AT THE-TABLE:	Halima Ahmed