 THE NATIONAL ASSEMBLY PAPERS LAID	
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REPUBLIC OF KENYA
THIRTEENTH PARLIAMENT- FIFTH SESSION

THE NATIONAL ASSEMBLY

THE SEVENTH 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 FOR THE FINANCIAL
YEARS 2018/19, 2019/20 & 2020/21

DIRECTORATE OF AUDIT, APPROPRIATIONS & OTHER SELECT
COMMITTEES

THE NATIONAL ASSEMBLY

PARLIAMENT BUILDINGS

NAIROBI

FEBRUARY 2026

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LIST OF ABBREVIATIONS/ACRONYMS

Ag.	-	Acting
CEO	-	Chief Executive Officer
CS	-	Cabinet Secretary
DCI	-	Directorate of Criminal Investigations
EACC	-	Ethics and Anti-Corruption Commission
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
GoK	-	Government of Kenya
IAS	-	International Accounting Standards
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
MD	-	Managing Director
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, No. 18 of 2012
PPADA	-	Public Procurement and Asset Disposal Act, No. 33 of 2015
IRRS	-	International Financial Reporting Standards

CHAIRPERSON'S FOREWORD

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

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

The Committee resolved to examine the reports of the Auditor General based on the regional domicile of each agency and the nature of operations of the agency, to enable an organized schedule of hearings, countrywide. This report is the seventh report from The Committee and covers various agencies in Nairobi, Machakos, Embu and Kitui Counties.

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

This report contains observations, findings and recommendations arising from the examination of reports of the Auditor-General for thirteen (13) state corporations for three financial years running up to the latest, 2020/21 FY. The report is structured as follows:

- i) general observations arising from recurring and cross-cutting audit queries;
- ii) recommendations to each of the above;
- iii) audit queries identified by the Auditor General in the audit reports of each state corporation;
- iv) management responses to each of the queries;
- v) Committee Observation/findings on each query; and

vi) recommendations of The Committee to each query raised.

In this report, The Committee makes recommendations that it deems will cure financial and audit challenges and at the same time recommends specific actions against specific officers who may have acted contrary to the law. It also recommends further investigations of certain matters by the relevant investigative agencies such as the EACC and the DCI. All this is geared towards ensuring the prudent use of public resources and holding all persons who have misappropriated public funds accountable, in accordance with Article 226 (5) of the Constitution.

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

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honor to present to the 7th Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for thirteen (13) State Corporations.

HON. WANAMI WAMBOKA, MP

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

EXECUTIVE SUMMARY

The 7th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of thirteen (13) State Corporations.

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. 412C and the attendant Regulations, the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) relevant for commercial state corporations.

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

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

Part three of the report contains reports of the specific 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 recommendations on each audit query.

I.0 PREFACE

I.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 include: -

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

Part 6-Control of Public Money

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

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

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

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

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

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

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

-

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

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, M.P.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon. Kibagendi Antoney, MP
Kitutu Chache South Constituency

ODM Party

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

UDA Party

The Hon. Thuddeus Nzambia, MP.
Kilome Constituency

WDM Party

The Hon. Wamacukuru Githua Kamau, CBS,
MP.

Kabete Constituency

UDA Party

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

DAP-K Party

The Hon. Rebecca Tonkei, MP.
Narok County

UDA Party

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

Jubilee Party

The Hon. Alfah Miruka, CBS, MP.
Bomachoge Chache Constituency

UDA Party

The Hon. Bonaya Gollo, MP
Isiolo County

Jubilee Party

The Hon. Shadrack Mwiti, MP.
Imenti South Constituency

Jubilee Party

The Hon. Moses Kirima, MP
Imenti Central Constituency

UDA Party

The Hon. Daniel Karitho, MP
Igembe Central Constituency

Jubilee Party

The Hon. Chiforomodo Munga, MP
Lungalunga Constituency

UDM Party

The Hon. Joseph Tonui, MP
Kuresoi South Constituency

UDA Party

I.3 Committee Secretariat

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

Ms. Christine Ndiritu

Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi Fundi

Clerk Assistant III

Ms. Rinha Saineye

Media Relations Officer

Ms. Winny Otieno

Clerk Assistant III

Ms. Eunice Liavuli

Research Officer III

Mr. Abdimalik Ahmed

Clerk Assistant III

Ms. Geogina Okoth

Research Officer III

Ms. Noel Amutabi

Legal Counsel II

Mr. Stephen Otieno

Sergeant at Arms

Mr. Machuki E. Mwebi

Fiscal Analyst II

Ms. Mary Kamande

Public Communications Officer

Mr. Collins Mahamba

Audio Officer

1.4 Committee proceedings

4. To produce this report, The Committee held twenty-one (21) sittings in which it examined the audited financial statements of thirteen (13) State Corporations and the accompanying Reports by the Auditor-General.
5. 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 Executive Officers, Principals and Directors-General (Accounting Officers) of various State Corporations and other relevant witnesses.
6. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report on each of the State Corporations examined.
7. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments made in the governance and education sectors as a whole.

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

8. In consideration of reports of various state agencies, The Committee encountered cross-cutting and at times persistent matters that informed the general observations and recommendations. Specific observations and recommendations are, however, made in relation to the respective agency.

2.1 Understaffing

9. The Committee observed that most institutions across the country are significantly understaffed. For instance, the Kenya Law Reform Commission has only 65 employees against an approved staff establishment of 240, resulting in a shortfall of 175 personnel. Similarly, the Kenya Copyright Board operates with 45 employees out of an approved 119, leaving a gap of 74 staff members. These staffing deficits severely hinder the institutions' capacity to deliver services effectively.

To address the significant staffing gaps undermining institutional performance, the government should implement a phased and well-coordinated strategy that prioritizes accelerated recruitment for critical roles, establishes medium-term workforce plans aligned with evolving mandates, and provides adequate budgetary allocations to support sustained hiring and retention. This should be complemented by targeted capacity-building initiatives, including training and digital modernization, to enhance operational efficiency, alongside the creation of a clear monitoring framework to track progress and ensure accountability in restoring institutions to optimal staffing levels.

2.2 Failure to adhere to gender, ethnicity and regional balance

10. The Committee observed that some institutions exhibited a skewed ethnic diversity within their staff complement, particularly at the senior management level. These reports raise concerns regarding the underrepresentation of certain ethnic groups, potential discriminatory practices in recruitment and promotion, and broader issues related to fairness in employment processes. Notably, the composition of the Kenya Copyright Board reflects gender imbalance, with only one female among its nine members.

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

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

The Committee further recommends that institutions take deliberate and proactive measures to include Persons with Disabilities (PWDs) in their workforce, in accordance with the provisions of the Constitution.

2.3 Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

2.4 Unsecured/ untitled land holdings

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

The Committee recommends that the Accounting Officers for the affected institutions make deliberate efforts to obtain ownership documents for untitled land holdings in consultation with the relevant Parent Ministry and Ministry of Lands and ensure that the land holding which they have ownership documents are secured.

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS

1.0 KENYA LAW REFORMS COMMISSION (KLRC)

- 1) Mr. Joash Dache, Chief Executive Officer, accompanied by: -
- i) Mr. Peter Musimi - Ag. Director Legal Services
 - ii) Ms. Susan Kuria - Head of Administration
 - iii) Mr. Dan Omondi - Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Kenya Law Reforms Commission, on 22nd November 2023.

Audited Statements for Financial Year 2018/2019 (Unqualified Opinion)

1.1.1 Prior year matters on Property, Plant, and Equipment.

- 2) As previously reported, the Commission's fleet of motor vehicles includes two (2) vehicles registration GKA 139N and GKA 281G whose ownership documents have remained under the Ministry of Justice and Constitutional Affairs. Management has, however, indicated that it is pursuing the formal transfer of the vehicles with the Office of the Attorney General and Department of Justice, and the National Transport and Safety Authority but has not been completed as of 30 June, 2019.

Management Response

- 3) I wish to confirm that the ownership of the two vehicles as at the reporting period was with the defunct Ministry of Justice and Constitutional Affairs. However, the Commission had initiated the necessary steps with the Office of Attorney General and Department of Justice for the transfer.

Committee Observation

- 4) The Committee observed that the Commission has received logbooks for 3 vehicles except one: GKA 139N.
- 5) Fewer efforts have been made by the Commission to regularise the issue and acquire documentation.

Committee Recommendation

- 6) The Committee recommends that the Commission makes deliberate efforts to follow up on the registration of the vehicles.

1.1.2 Lack of Functional Oversight Structures

7) As disclosed in the Chief Executive Officer's report in the Non-financial Information of the Financial Statements, four (4) Commissioners exited the Commission on 30th September 2018 leaving only three (3) Commissioners who also exited in the year. The Commission, therefore, operated without a functional oversight body and requisite committees to provide oversight to the management activities in line with good corporate governance practices.

Management Response

8) I wish to confirm that the Commission operated without a proper functional oversight body and the requisite committees during the reporting period. As indicated in the Report, the Commissioners' terms expired and the appointing authority was adequately informed. Part-time Commissioners were subsequently appointed in the second quarter of the succeeding financial year 2019/2020 on 13th December 2019.

9) However, the Commission was not fully constituted as there was no substantive Chairperson and a full-time commissioner as stipulated in the KLRC Act. Consequently, I would like to inform the Committee that the Commission was administratively reporting to the Office of the Attorney General and Department of Justice as the parent ministry.

Committee Observation

10) The Committee observed that the Commission is fully constituted, gazetted and functional, thus the issue is resolved.

Audited Statements for Financial Year 2019/2020 (Unqualified Opinion)

1.1.3 Prior year matters on property, plant, and Equipment.

11) As previously reported, the Commission's fleet of motor vehicles includes two (2) vehicles registration GKA 139N and GKA 281G whose ownership documents have remained under the Ministry of Justice and Constitutional Affairs. Management has, however, indicated that it is pursuing the formal transfer of the vehicles with the office of the Attorney General and Department of Justice, and the National Transport and Safety Authority but had not been completed as at 30 June, 2020.

Management Response

12) Hon. Chairperson, I wish to confirm that the ownership of the two vehicles as at the reporting period was with the defunct Ministry of Justice and Constitutional Affairs. However, the Commission had initiated the necessary steps with the NCIA.

Committee Observation

13) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

1.1.4 Budgetary performance and control

14) During the year under review, the Commission's actual expenditure net of depreciation and amortization amounted to Kshs. 244,042,055 against the budgeted expenditure of Kshs. 293,524,960 resulting in an overall under-absorption of Kshs. 49,482,905 or 17%.

15) The under-absorption affected the planned activities and may have impacted negatively on the service delivery to the public.

Management Response

16) Hon. Chairperson, I wish to confirm that the Commission had an under-absorption of Kshs. 49,482,905 from its 2019/2020 budgeted expenditure. As you may be aware Hon. Chairperson, this is the period that the Country and the globe were dealing with the severe impact of the Covid-19 pandemic. The under-absorption was occasioned by the various containment measures that were put in place by the Ministry of Health like the lockdowns in specific counties including Nairobi where the Commission is domiciled.

17) This therefore meant that as a Commission we could not undertake some of the planned activities within the year under review. However, I am happy to report that we have managed to gradually roll over the activities into the subsequent financial years and service delivery to the public has not been negatively impacted.

Committee Observation

18) The Committee observes and takes into consideration the response given by the Commission and acknowledges that the pandemic disrupted the Institution's functioning thus could not achieve the required budget expenditure.

Committee Recommendation

19) The Committee recommends that the Commission henceforth adjust its budget and seek necessary approvals accordingly.

1.1.5 Lack of Functional Oversight Structures

20) As disclosed in the non-financial information of the financial statements, the Chairman exited the Commission on 30 September 2019 after the expiry of his term while the rest of the Commissioners exited in the 2018/2019 financial year.

21) The Commission, therefore, operated without a functional oversight body and requisite committees to provide oversight to the management activities in line with good corporate governance practices.

Management Response

22) Hon. Chairperson, I wish to confirm that the Commission operated without a proper functional oversight body and the requisite committees during the reporting period. As indicated in the report, the Commissioners' terms expired and the appointing authority was adequately informed. Part-time Commissioners were subsequently appointed in the second quarter of the succeeding financial year 2019/2020 on 13th December 2019.

23) However, the Commission was not fully constituted as there was no substantive Chairperson and a full-time commissioner as stipulated in the KLRC Act. Consequently, I would like to inform the Committee that the Commission was administratively reporting to the Office of the Attorney General and Department of Justice as the parent ministry.

Committee Observation

24) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

Audited Statements for Financial Year 2020/2021 (Unqualified Opinion)

1.1.6 Prior year matters on property, plant, and Equipment.

25) As previously reported, the Commission's fleet of motor vehicles includes two (2) vehicles registration GKA 139N and GKA 281G whose ownership documents have remained under the Ministry of Justice and Constitutional Affairs. Management has, however, indicated that it is pursuing the formal transfer of the vehicles with the office of the Attorney General, and Department of Justice, and the National Transport and Safety Authority but had not been completed as at 30 June, 2021.

Management Response

26) Hon. Chairperson, I wish to confirm that the ownership of the two vehicles as at the reporting period was with the defunct Ministry of Justice and Constitutional Affairs. However, I would like to report that the Commission managed to acquire the ownership of vehicle registration GKA 281G. Currently, we are still following up on vehicle registration GKA 139N.

Committee Observation

27) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

1.1.7 Lack of Functional Oversight Structures

28) As disclosed in the non-financial information of the financial statements, the Chairman exited the Commission on 30 September 2019 after the expiry of his term while the rest of the Commissioners exited in the 2018/2019 financial year.

29) The Commission, therefore, operated without a functional oversight body and requisite committees to provide oversight to the management activities in line with good corporate governance practices.

Management Response

30) Hon. Chairperson, I wish to confirm that the Commission operated without a proper functional oversight body and the requisite committees during the reporting period. As indicated in the report, the Commissioners' terms expired and the appointing authority was adequately informed. Part-time Commissioners were subsequently appointed in the second quarter of the succeeding financial year 2019/2020 on 13th December 2019.

31) However, the Commission was not fully constituted as there was no substantive Chairperson and a full-time commissioner as stipulated in the KLRC Act. I however, would like to inform the Committee that the Commission welcomed the appointment of its chairperson and the full-time Commissioner via the gazette notice of August 1, 2022 and the subsequent swearing-in of all Commissioners on August 15, 2022.

Committee Observation

32) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

1.1.8 Under-staffing

33) A review of employee records and staff payroll for the year ended 30 June 2021 revealed that the Commission had sixty-five (65) employees against staff establishment of two hundred and forty (240) employees resulting in understaffing by one hundred and seventy-five (175). The understaffing may hinder the effective delivery of services by the Commission.

Management Response

34) Hon. Chairperson, it is true that the Commission in the year under review was understaffed by one hundred and seventy-five (175) employees which therefore hindered

the effective delivery of service by the Commission. This was occasioned by the issuance of a circular on a freeze of new employment in the public service and continues to be in effect to date. However, I wish to reiterate that the Commission has continually put in place measures to effectively utilize the available personnel to ensure it delivers on its mandate.

Committee Observation

35) The Committee observed that the Kenya Law Reform Commission has only 65 employees against an approved staff establishment of 240, resulting in a shortfall of 175 personnel. This staffing deficit severely hinder the institutions' capacity to deliver services effectively.

Committee Recommendation

36) To address the significant staffing gaps undermining institutional performance, the government should implement a phased and well-coordinated strategy that prioritizes accelerated recruitment for critical roles, establishes medium-term workforce plans aligned with evolving mandates, and provides adequate budgetary allocations to support sustained hiring and retention. This should be complemented by targeted capacity-building initiatives, including training and digital modernization, to enhance operational efficiency, alongside the creation of a clear monitoring framework to track progress and ensure accountability in restoring institutions to optimal staffing levels.

1.1.9 Asset Management

37) As disclosed in Note 15 to the financial statements, the statement of financial position reflects a property, plant, and equipment net balance of Kshs. 14,357,304 as at 30 June 2021. However, the assets register was not updated with pertinent details including a clear description of assets, date of acquisition cost, location, and unique identification numbers of the assets. Further, the assets were not tagged with unique identification numbers.

38) Consequently, the Commission's internal control and risk management on assets were weak during the year under review.

Management Response

39) Hon. Chairperson, I wish to confirm that indeed it is true that the Commission in the year under review did not have an updated asset register with pertinent details including a clear description of assets, date of acquisition, cost, location, and unique identification

numbers of the assets. This is because a majority of the Commission's assets were inherited from the defunct Ministry of Justice and Constitutional Affairs thus the Commission was in the process of obtaining the key details relating to acquisition dates and costs. The Commission was also not able to provide the assets with unique identification numbers as this process required financial commitment that the Commission was constrained on.

- 40) However, I wish to inform the Committee that we have been able to estimate the costs for some of the assets, determine the acquisition dates, and comprehensively implement the National Treasury circular numbers 5 and 23 of 2020 on guidelines in the preparation of assets and liabilities register in the public sector. The Commission has also set aside funds in the current financial year to aid in the tagging and provision of unique identification numbers.
- 41) In regard to the weaknesses in internal controls, the Commission is in the initial stages of customizing an internal assets and liabilities management policy based on the National Treasury's policy on asset and liability management in the public sector.

Committee Observation

- 42) The Committee observed that the asset register is not yet in place.

Committee Recommendation

- 43) The Accounting Officer should ensure that a complete fixed asset register is maintained pursuant to Regulation 143(1) of the PFM (National Government) Regulations 2015. Further, the register should be availed to the Auditor-General at the time of audit if requested.
- 44) Within three (3) months of the adoption of this Report, the Accounting Officer should avail to the Auditor General a comprehensive fixed assets register for review and verification.

2.0KENYA COPYRIGHT BOARD

- 45) Mr. Edward Sigei, Executive Director, accompanied by: -

i) Mr. Fredrick Mutugu- Director Corporate Services

Appeared before The Committee to adduce evidence on the audited accounts of Kenya Copyright Board, on 21st February 2024.

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

2.1.1 Financial Performance

46) As reflected in the statement of financial performance, the Board reported a deficit of Kshs.22,034,340 (2018: Kshs.7,768,155) resulting in depletion of accumulated reserves from Kshs.45,197,339 as at 30 June, 2018 to Kshs.23,075,999 as at 30 June, 2019. If strategies are not put in place to address the deficit trend, the Board is likely to face financial difficulties in the future.

Management Response

47) This was due to a budget cut that saw KECOBO's allocated funds drop by Kshs.10 million.

48) The Board hosted three Continental Meetings in collaboration with the World Intellectual Property Organization (WIPO). This further contributed to the deficit.

49) Work pertaining to the Enterprise Resource Planning System (ERP) which the Board had established, and handover and commissioning had not taken place. This saw the depreciation/ Amortization expense balloon.

50) Further, during the same year, there was the implementation of SRC approved salary structure

Committee Observation

51) The Committee observed that necessary documentations were provided to the Auditor General, thus the issues is resolved.

2.1.2 Transfers from Government Entities

52) As disclosed in Note 3 to the financial statements, the statement of financial performance reflects an amount of Kshs.121,580,000 under transfer from Government representing receipts from the State Law Office and Department of Justice. However, records maintained at the State Law Office and Department of Justice indicated that a total of Kshs.124,580,000 was transferred to the Board during the year under review. The resultant difference of Kshs.3,000,000 has not been reconciled or explained.

53) In the circumstances, the accuracy of transfers from other Government entities of Kshs.121,580,000 could not be confirmed

Management Response

54) The difference of the Kshs.3,000,000 is the target of Appropriation-In-Aid (AIA) which the Board was expected to collect as the National Treasury records. The transfer for the period was confirmed as reflected in the Board's Books.

Committee Observation

55) The Committee observed that requisite documentations were provided to the Auditor General, thus the issues is resolved.

2.1.3 Cash and Cash Equivalents

56) The statement of financial position reflects cash and cash equivalents balance of Kshs.5,151,247. However, the current account bank reconciliation statement for June 2019 reflected receipts in bank statement not in cashbook totalling to Kshs.7,009, payments in bank statement not in cashbook totalling to Kshs.21,564 and receipts in cashbook not in bank statement totalling to Kshs.33,745 whose, clearance status as at the time of the audit in March, 2020 was not disclosed.

57) In the circumstances, the accuracy, validity and completeness of cash and cash equivalents balance of Kshs.5,151,247 as at 30 June, 2019 could not be confirmed.

Management response

58) The unpresented cheques cleared in subsequent months of July and August 2019.

Committee Observation

59) The Committee observed that requisite documentations were provided to the Auditor General, thus the issues is resolved.

2.1.4 Lack of Board of Directors

60) Section 6(1) of the Copyright Act, Cap. 130 provides the composition of the Board. However, and as disclosed in the Corporate Governance Statement at Page xxi of the Annual Report, the term of the entire Board lapsed on 31 October, 2018. Except for the Chairman who was appointed on 3 May, 2019, the rest of the Board members had not been appointed as at the time of audit in September, 2019. The Copyright Board, therefore, operated without a Board of Directors for nine (9) months during the financial year.

Management Response

61) The Executive director had notified the Office of the Attorney General and Department of Justice

Committee Observation

62) The prolonged absence of a functioning Board impaired effective governance oversight, strategic direction, and decision-making within the institution.

Committee Recommendation

63) Within three (3) months of adoption of this report by the House, the Office of the Attorney General and the Department of Justice should expedite the appointment of the remaining Board members to ensure full compliance with the Copyright Act and to restore effective governance structures. Additionally, mechanisms should be established to ensure timely renewal or replacement of Board members in future to prevent governance gaps that may hinder institutional performance

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

2.1.5 Prior Year Adjustments

- 64) The statement of cashflows reflects a prior year adjustment of Kshs.2,612,039. The treatment is however, contrary to Paragraph 47 of International Public Sector Accounting Standard (IPSAS) No.1 that requires an entity to correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.
- 65) In the circumstances, the validity of the prior year adjustment of Kshs.2,612,039 in the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

Management Response

- 66) The issue was addressed by restating the assets and the net assets as required by the standard.

Committee Observation

- 67) The Committee observed that requisite documentations were provided to the Auditor General, thus the issues is resolved.

2.1.6 Cash and Cash Equivalents

- 68) The statement of financial position reflects cash and cash equivalents balance of Kshs.10,039,804 as at 30 June, 2020. However, the current account bank reconciliation statement for June, 2020 reflects payments in bank statement not in cashbook totalling to Kshs.3,813,709, out of which clearance status of balances totalling to Kshs.21,564 was not disclosed. Further, the clearance status of receipts in cashbook not in bank statement totalling to Kshs.4,530 was also not disclosed.

69) In the circumstances, the accuracy, validity and completeness of cash and cash equivalents balance of Kshs.10,039,804 as at 30 June, 2020 could not be confirmed.

Management Response

70) The unpresented cheques were cleared in the subsequent months. Communications between the Board and the Bank and Board Resolutions.

Committee Observation

71) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

2.1.7 Composition of the Board of Directors

72) Review of the list of Board Members who served during the year under review indicated that out of the nine (9) Members, only one (1) Member was of the female gender translating to only 11%. This therefore is in contravention of Article 27(8) of the Constitution of Kenya 2010 which provides that the state shall take steps to ensure that no more than two-thirds of members of elective or appointive bodies shall be of the same gender. The Board composition does not therefore meet the requirements of the Constitution of Kenya 2010.

Management Response

73) The Executive director had notified the Office of the Attorney General and Department of Justice.

Committee Observation

74) The Committee observes that the matter is recurring from previous financial years and reiterates its recommendations.

Audited Statements for Financial Year 2020/2021 (Unqualified Opinion)

2.1.8 Composition of the Board of Directors

75) Review of the list of Board Members who served during the year under review indicated that out of the nine (9) Members, only one (1) Member was of the female gender translating to only 11%. This therefore is in contravention of Article 27(8) of the Constitution of Kenya 2010 which provides that the state shall take steps to ensure that no more than two-thirds of members of elective or appointive bodies shall be of the same gender. The Board composition does not therefore meet the requirements of the Constitution of Kenya 2010.

Management Response

76) The Executive director had notified the Office of the Attorney General and Department of Justice.

Committee Observation

77) The Committee observes that the matter is recurring from previous financial years and reiterates its recommendations.

2.1.9 Board of Directors Operations

78) The Committees had more than three members and one board member served in all the Board Committees contrary to circular Ref. No. OP/CAB.9/1A dated 11 March 2020 which guides on Board Committees composition. Further, the Board Committee members served in the same committees since 2019 contrary to the guidelines on rotations which should be done every year. The annual calendar (ALMANAC) of the Board of Directors was also not provided for audit review. As a result, it was impossible to ascertain whether the Board of Directors had indeed filed the returns with the state Corporations Advisory Committee (SCAC)

Management Response

79) The calendar was prepared and there was an oversight in communicating the same to SCAC.

Committee Observation

80) These governance lapses pointed by the auditor indicate weak adherence to corporate governance requirements and undermine transparency and accountability in Board operations.

Committee Recommendation

81) Management should ensure strict compliance with the guidelines on Board Committee composition and annual rotation of committee members as outlined in the referenced circular. The Board should also establish proper documentation protocols to guarantee timely preparation, approval, and submission of the annual calendar to SCAC. Additionally, internal controls should be strengthened to prevent recurrence of governance gaps and to enhance accountability, oversight, and adherence to statutory obligations.

2.1.10 Understaffing

82) A review of employee records and staff payroll for the year ended 30th June 2021 revealed that the Kenya Copyright Board had 45 employees against the staff establishment of 119 employees resulting in understaffing by 74.

Management Response

83) The management agrees with the audit on understaffing and further states, that it has made requests to the National Treasury through the parent Ministry for the budget to recruit and it was waiting response.

Committee Observation

84) The Committee observed that the Kenya Copyright Board has only 45 employees against an approved staff establishment of 119, resulting in a shortfall of 74 personnel. This staffing deficit severely hinder the institutions' capacity to deliver services effectively.

Committee Recommendation

85) To address the significant staffing gaps undermining institutional performance, the government should implement a phased and well-coordinated strategy that prioritizes accelerated recruitment for critical roles, establishes medium-term workforce plans aligned with evolving mandates, and provides adequate budgetary allocations to support sustained hiring and retention. This should be complemented by targeted capacity-building initiatives, including training and digital modernization, to enhance operational efficiency, alongside the creation of a clear monitoring framework to track progress and ensure accountability in restoring institutions to optimal staffing levels.

3.0 NATIONAL COHESION AND INTEGRATION COMMISSION (NCIC)

86) Mr. Samuel Kobia, Chairman NCIC, accompanied by: -

- i) Mr. Harrison Kariuki- Ag. Chief Executive Officer
- ii) Ms. Catherine Njuki- Principal Accountant
- iii) Ms. Caren Lochi- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of National Cohesion and Integration Commission, on 14th February 2024.

Audited Statements for Financial Year 2018/2019 (Unqualified Opinion)

87) The Commission received an unqualified opinion with no material issues (outstanding audit queries) from the Office of the Auditor General in regard to the Commission.

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

3.1.1 Unsupported Expenditure

88) As disclosed in Note 10 to the financial statements, the statement of financial performance reflects an expenditure balance of Kshs.142,142,932 under general expenses which

includes various unsupported payments amounting to Kshs.24,853,232. The unsupported payments include allowances paid for meetings, retreats, workshops, burials and court attendance. The allowances are not supported with relevant documents including attendance sheets by the participants and workshop/retreat reports.

- 89) In the circumstances, it has not been possible to confirm the accuracy and validity of the reported general expenses balance of Kshs.142,142,932.

Management Response

- 90) The Commission in its letter Ref: NCIC/FNC/Vol. (38) dated 22nd July, 2021 submitted that during the audit execution the auditor general relied on payment vouchers that had transferred funds to imprest holders as opposed to the surrender documents that were fully supported.

Committee Observation

- 91) The Committee observed that the Commission used funds for burial which is indicated in the Commission's Human Resources Manual.

Committee Recommendation

- 92) The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

3.1.2 Lack of Fixed Assets Register

- 93) The statement of financial position reflects a balance of Kshs.79,965,371 under property, plant and equipment as at 30 June, 2020. The Commission, however, did not avail a register of fixed assets during the year under review. As a result, it has not been possible to ascertain the completeness and accuracy of the property, plant and equipment net balance of Kshs.79,965,371. Further, it could not be confirmed that preventative mechanisms required under Regulation 139 of Public Finance Management Regulations, 2015 were in place to eliminate theft, security threats, losses, wastage and misuse of assets.
- 94) Failure to provide a register of fixed assets is also contrary to the provisions of Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Management Response

95) The Commission submitted the assets register for verification and that they have a register in place.

Committee Observation

96) The Committee observed and notes that the matter had substantively been acted upon since the institution has submitted the assets register which was verified by the auditor and makes no further recommendations.

Audited Statements for Financial Year 2020/2021 (Unqualified Opinion)

97) The Commission received an unqualified opinion with no material issues (outstanding audit queries) from the Office of the Auditor General in regard to the Commission.

4.0 BUSINESS REGISTRATION SERVICE

98) Mr. Kenneth Gathuma, Director General, accompanied by;

- i) Erastus Ndanu- Deputy Director Finance
- ii) Dennis Okello- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Business Registration Service, on 21st February 2024.

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

4.1.1 Unsupported Receivables

99) The Statement of Assets and liabilities reflect a receivables balance of Kshs.127,726,843 as of 30 June 2019 which includes a balance of Kshs. 41,082,583 due from the Deposit Protection Board whose analysis was not availed for audit verification. In the circumstances, the accuracy, validity and completeness of the receivables balance of Kshs.127, 726,843 as of 30 June 2019 could not be confirmed.

Management Response

100) The receivables for the year ended 30th June 2019 were Kshs.127, 726,843 comprising Consolidated bank shares totaling Kshs. 86,644,260 and deposit Protection Board Deposits totaling Kshs. 41,082,583. During the audit period, the auditors were not availed with confirmation certificate of deposits from the Kenya Deposit Insurance totaling to Kshs. 41,082,583 due to delay by the institution to provide the deposit confirmation certificates in good time. However, the certificate was availed later and a copy is hereby attached with its analysis

Committee Observations

101) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.2 Unconfirmed Short-term Deposits and Treasury Bills

102) The statement of assets and liabilities reflects short-term deposits and treasury bills balance of Kshs. 339,686,292 as of 30 June 2019, made up of short-term deposits totaling Kshs.185,273,300 and Treasury bills amounting to Kshs. 154,412,292. The short-term deposit balance of Kshs. 185,273,300 was held in seventeen (17) bank accounts as disclosed in Note 7(a) to the financial statements while treasury bills balance of Kshs. 154,412,992 was in two (2) accounts as disclosed in Note 7(b) to the financial statements. Management did not, however, avail bank confirmation certificates for the seventeen (17) short-term deposit accounts and the two (2) treasury bills accounts.

103) In the circumstances, the accuracy and validity of short-term deposits and treasury bills balance of Kshs. 339,686,295 as of 30th June 2019 could not be confirmed.

Management Response

104) In the financial year 2018/2019 there was a delay in issuing of the confirmation Certificates for fixed deposits held by the National Bank of Kenya invested on the 2nd May 2019.

105) BRS management provided the auditor's bank statements showing the date of investment which is 3rd May 2019 and the date of maturity of its investments being 3rd August 2019. The instruction letter and Bank statements are hereby attached.

106) For the treasury bills totalling to Kshs.154,412,992, despite the delay the confirmation certificates were eventually issued to Official Receiver.

Committee Observations

107) The Committee notes that the Accounting Officer failed to submit supporting documentation to the Auditor-General on time (during the audit cycle) as required under section 68 of the PFM Act.

Committee Recommendations

108) The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

4.1.3 Unsupported Other Revenues

- 109) Included in other revenues balance of Kshs.72,102,161 are other receipts not classified elsewhere totalling Kshs.58,532,994 for which only Kshs.53,658,278 has been supported leaving a balance of Kshs.4,874,715 unsupported.
- 110) In the circumstances, the accuracy, validity and completeness of other revenues balance of Kshs.72, 102,161 for the year ended 30 June 2019 could not be confirmed.

Management Response

- 111) Other revenues for the year ended 30th June 2019 of Kshs. 72,102,161 included interests received of Kshs. 13, 502, 024, dividends of Kshs.67, 143 and other receipts not classified elsewhere of Kshs, 58,532,994. During the audit process, some schedules were misplaced hence the auditor did not verify them. All schedules as per the analysis in the above paragraph were later availed and verified by the auditor after the audit had been concluded and certificate issued.

Committee Observation

- 112) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

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

4.1.4 Budgetary Control and Performance

- 113) As reflected in the statement of comparison of budget and actual amounts, the Business Registration Service's actual expenditure for the year net of depreciation amounted to Kshs.270,123,992 against the budgeted expenditure of Kshs.331,170,000 resulting in an overall under absorption of Kshs.61,046,008 or 18%. The under-spending affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

- 114) As observed by the auditor that was well noted. The underconsumption of Kshs. 61,046,008 was due to delayed release of the exchequer. The figure pointed out by the auditor includes an accumulated surplus of Kshs .25,273,275.55 for FY 2018/2019 which is for acquiring the Service assets. The total allocation for the period was Kshs.331,170,000 of which Kshs.30,000,000 was given under a supplementary budget to support personnel emoluments since the Business Registration Services (BRS) anticipated to fully delink by April 2020. This then left a balance of Kshs.7,824,325 which is 2.4% of under absorption.

Committee Observation

115) The Committee notes that Public Accounts Committee in their report states the issue as resolved thus reiterates the same observation.

4.1.5 Staff Ethnic Composition

116) The Service had a total of one hundred and thirty (130) staff assigned to the Business Registration Service from the State Law Office. However, as previously reported, a review of the ethnic composition report indicated that out of the one hundred and thirty (130) staff assigned, forty-six (46) were from the same ethnic community representing 35% of the total number of staff assigned. This is contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N which states that no public establishment shall have more than one-third of its staff from the same ethnic community.

117) The Registration Service was therefore in breach of the law.

Management Response

118) Business Registration Service as of 30th June 2020 had an establishment of 104 staff members. However, as stated by the auditor there is no ethnicity balancing of the staff which was majorly attributed to the no. of staff inherited by BRS from the Office of the Attorney General. The problem has since been addressed following the replacement of staff by the Service which stands at 109 currently.

Committee Observation

119) The Committee notes that the institution has exactly one-third of its staff from the same ethnic community thereby in compliance with the law.

4.1.6 Lack of a Disaster Recovery and Continuity Plan

120) As previously reported, the Business Registration Service did not have an approved Disaster Recovery Plan and IT Business Continuity Plan. This poses a significant threat to resumption of operations quickly and effectively in case of an emergency or disaster especially due to the sensitivity of the information on registration of companies under the custody of the institution.

Management Response

121) It is true that BRS had no Disaster recovery plan in the year under review. However, the Service relied on the hard disks which were stored in fireproof cabinets with limited access to two personnel and it used to back up on a monthly basis since it was in the

process of developing its own disaster recovery and continuity plan after delinking. The same has since been developed and operationalized as the attached.

Committee Observation

122) The Committee observed that the institution did not provide an approved Disaster Recovery and Continuity Plan for verification.

Committee Recommendation

123) The Committee reprimands the Accounting Officer for not providing documents on time despite being reminded severally. This is contrary to Section 68 of the PFM Act.

4.1.7 Non- Provision of Service Providers' Contracts

124) As reported in the previous year, the Business Registration Service contracted service providers to collect revenue on its behalf. The service providers include E-Citizen and by extension Safaricom and Kenya Commercial Bank among others. However, the respective contract agreements were not provided for audit review.

125) In this circumstance, it was not possible to establish the legality and performance of the service providers. Further, it was not possible to ascertain the basis of the revenue collected in the absence of supporting contracts.

Management Response

126) The Observation made by the auditor on the non-provision of the Service provider contract is true.

127) Business Registration Services collects its revenue through the E-citizen platform as per the authorities provided below:

- (i) The Government vide Gazette Notice Number 2725 dated 24th April 2014 appointed a task force to implement the Government Digital Payments with the mandate to implement the Government Payment Gateway and ensure that individuals and businesses are enabled to make payments to the Government electronically through all available channels.
- (ii) The mandate of the task force was captured in the Kenya Gazette Special Issue no.9290 of 30th December 2014 through which the Cabinet Secretary, National Treasury introduced the Government Services Digital Payments Programme.

128) At its 6th meeting held on the 25th of October 2016, the BRS Board approved BRS management's request to move to the e-Citizen platform to stop possible revenue leakage at the companies' registry.

Committee Observation

129) The Committee notes that the Accounting Officer failed to submit supporting documentation to the Auditor-General on time (during the audit cycle) as required under section 68 of the PFM Act.

Committee Recommendation

130) The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

4.1.8 Lack of a Disaster Recovery and IT Business Continuity Plan

131) Business Registration Services does not have an approved Disaster Recovery Plan or IT Business Continuity Plan. This poses a significant threat to the core function of the Business Registration Services especially because it handles sensitive information about registration of Companies.

Management Response

132) It is true that BRS had no Disaster recovery plan in the year under review. However, the Service relied on the hard disks which were stored in fireproof cabinets with limited access to two personnel and it used to back up on a monthly basis since it was in the process of developing its own disaster recovery and continuity plan after delinking. The same has since been developed and operationalized.

133) A Disaster Recovery plan and an IT Business Continuity plan have been developed. An extract has been attached.

Committee Observation

134) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

4.1.9 Lack of Medium-Term Strategic Plan

135) Business Registration Service does not have a Strategic Plan for the medium-term fiscal framework and the fiscal policy objectives in contravention of Section 68(2) (g) of the Public Finance Management Act, Cap. 412A which requires the Accounting Officer to

prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and fiscal policy objectives of the national government.

136) Under the circumstances, it was not possible to evaluate the performance of the Business Registration Service.

Management Response

137) By the time the audit was being carried out for the FY 2019/2020 BRS was in the process of developing its Strategic plan hence it relied on the approved work plans approved for the year. The strategic plan has already been developed and approved by the board and is being implemented.

Committee Observations

138) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.10 Unconfirmed Short-Term Deposits

139) The statement of assets and liabilities as of 30 June 2020 reflects a nil balance under short-term deposits. However, as reported in the previous year, Management did not provide bank confirmation certificates for the closing balance of Kshs. 185,273,300 as of 30 June 2019, held in seventeen (17) bank accounts as disclosed in Note 7(a) to the financial statements for 2018/2019.

140) In the circumstances, the accuracy and validity of the nil balance for short-term deposits as of 30 June 2020 could not be confirmed.

Management Response

141) In the financial year 2019/2020 there was a delay in issuing of the confirmation Corticates for fixed deposits held by the National Bank of Kenya invested on the 2nd May 2019. BRS management provided the auditor's bank statements showing the date of investment which is 3rd May 2019 and the date of maturity of its investments being 3rd August 2019.

Committee Observation

142) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

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

4.1.11 Inaccuracies in the Financial Statements

143) The following errors and omissions were noted in the financial statements and the accompanying explanatory notes for the year ended 30 June 2021.

- 144) The statement of cash flows reflects nil increase/(decrease) in prior year balances on working capital adjustments. However, the statement of financial position reflects balances of Kshs.13,051,625 and Kshs.2,448,006 in respect of inventories and trade and other payables which have not been accounted for. Further, the purchase of intangible assets amounting to Kshs.1,588,400 has been omitted under cash flow from investing activities. In addition, net cash flow from operating activities has a casting error amounting to Kshs.10,603,619.
- 145) The statement of financial position reflects the property, plant and equipment balance of Kshs.29,108,571 while the corresponding Note 18 to the financial statements reflects a balance of Kshs.30,532,980, resulting in an unexplained variance amounting to Kshs.1,424,409.
- 146) As disclosed in Note 19 to the financial statements, the statement of financial position reflects an intangible assets balance of Kshs.1,424,409. However, note 19 omitted the dates, months and years against the description of balances at the beginning, and end of the years reported for the intangible assets. iv. The statement of financial position reflects long outstanding trade and other payables balance of Kshs.2,448,006. No explanation was provided why the outstanding payables have not been settled.

Management Responses

- 147) The omitted amounts in the cashflow for the prior year of Kshs. 13,051,625 relating to stock, Kshs.1,588,400 relating to intangible assets and Kshs.2,448,006 relating to gratuity payables have all been included in the revised cashflow statements hence there were no casting error of Kshs.10,603,619.
- 148) As stated above in note(i) the statement of financial position and note 18 showing property plant and equipment of Kshs.29,108,571 has been corrected in revised financial statement hence no variance of Kshs.1,424,409.
- 149) A figure of Kshs.1,424,409 relating to intangibles assets which was procured in January 2021 hence attracting half year amortization up to June 2021.
- 150) A figure of Kshs 2,448,006 was gratuity payable to BRS staff which was a provision which had not been transferred to the gratuity and retention account also not operational by then. The Service got approval from the National Treasury on 15th March and opened at KCB a gratuity and retention account number 1300691360 and the funds were transferred to the same account.

Committee Observation

151) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.12 Staff Ethnic Composition

152) The Business Registration Service had a total of one hundred and thirty (130) staff members as of 30 June 2021. However, as previously reported, a review of the ethnic composition of the Service revealed that out of the one hundred and thirty (130) staff members, forty-six (46) were from the same ethnic community representing 35% of the total number of staff. This is contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N which states that no public establishment shall have more than one-third of its staff from the same ethnic community and Article 232 (1) (h) of the Constitution.

153) The Management was in breach of the law.

Management Response

154) Business Registration Service as of 30th June 2021 had an establishment of 104 staff members. However, as stated by the auditor there is no ethnicity balancing of the staff which was majorly attributed to the no. of staff inherited by BRS from the Office of the Attorney General. The problem has since been addressed following the replacement of staff by the Service which stands at 109 currently.

Committee Observation

155) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

4.1.13 Unauthorised Gratuity Payment

156) As disclosed in Note 9 to the financial statements, the statement of financial performance reflects employee costs amounting to Kshs.216,287,446. Included in the expenditure is an amount of Kshs.17,266,503 paid in respect of staff gratuity through unauthorized and unnumbered voucher and cheque number 003761 of 30 June 2021. In addition, the payment was being held as unrepresented cheque. No explanation was provided by Management for the irregularity.

157) Consequently, the regularity of the gratuity payment amounting to Kshs.17,266,503 could not be confirmed.

Management Responses

158) As stated, earlier BRS had not paid any gratuity to any staff as at June 30th 2021. The amount stated by the auditor of Kshs. 17,266,503 was a provision of the gratuity payable for the period which was already provided in the books awaiting to be banked. The Service managed to open a Gratuity and retention account no.1300691360 with KCB Bank and the same amount has already been transferred to the account.

Committee Observation

159) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.14 Lack of a Fixed Asset Register

160) The statement of financial position reflects the property, plant and equipment balance of Kshs.29,108,571 (2020 – Kshs.30,672,318). However, the Management did not maintain an asset register contrary to Regulation 143 of the Public Finance Management (National Government) Regulations, 2015. Further, the assets were not tagged for ease of traceability and accountability.

161) Management was in breach of the law.

Management Responses

162) As not by the auditor, BRS had not transferred all the assets to the newly introduced asset register by the National Treasury. All the assets are now fully updated in the asset register.

163) On the issue of tagging for the ease of traceability and accountability of BRS assets, this exercise was not carried out in the FY under review due to resource constraints. However, the same has been noted and all assets have been tagged.

Committee Observation

164) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.15 Irregular Procurement of Cloud Hosting Services

165) The Business Registration Services (BRS) procured cloud hosting services from a firm for the design, supply delivery, installation, configuration, commissioning and maintenance of cloud hosting services at a contract sum of Kshs.7,340,024. However, a review of tender documents revealed that the firm awarded the contract was not among the ten (10) prequalified suppliers for restricted tendering, identified by the Ministry of

Information Communication and Technology for maintenance of cloud services under tender number MOICT/SDICT/055/2018-2019.

- 166) Further, the contract document between BRS and the firm provided for audit was not dated, signed and stamped. Records provided indicate that BRS had paid an amount of Kshs.6,606,022 or 90% of the contract sum to the firm. However, BRS is not benefiting from the project due to unaddressed cyber security concerns on handling of government data on private servers.
- 167) Consequently, value for money was not realized on the expenditure of Kshs.6,606,022 due to unaddressed cyber security.

Management Responses

- 168) It is true BRS procured cloud hosting services at a contract sum of Kshs.7,340,024 from MFI Angani which was amongst the prequalified suppliers for restricted tendering by the Ministry of Information Communication and Technology for maintenance of cloud services.
- 169) It is true by the time of the Audit, the signed contract between the MFI and BRS was misplaced in the offices. The signed contract has since been traced and is hereby attached.
- 170) It is true BRS incurred an expenditure of KShs.6,606,022. The project was completed by MFI/Angani and when the service wanted to migrate the data from the E-citizen platform to the newly acquired alternative hosting, the Service contacted the National Treasury Government Digital Payment Department that is responsible for maintenance of the E-citizen Ecosystem requesting approval to commence the migration of the data. National Treasury advised the Service to consult and seek approval and technical support from the Ministry of ICT and the Ministry of Interior and Coordination of National Government. The Ministry of ICT proceeded to have approval to BRS however, the Ministry of Interior and Coordination of National Government rejected the Service's request citing that personal identifiable information cannot be hosted on a private cloud since it is a contravention with the National ICT Policy.
- 171) BRS was advised to set up a locally hosted data centre. This decision led to a halt on the alternative hosting project and had an impact on the activities that the Service was planning to implement.
- 172) At the time the project was completed and before the advisory opinion from the Ministry of Interior and Coordination was received, BRS kept on utilizing the service by

hosting some of their services in the system such as ERP system, all internal read-only systems PVT, BPMS, scanned images as well as CCTV back up while other E-citizen services could not be hosted in the servers which led to discontinuation of the renewing of the contact

Committee Observation

- 173) The Committee notes that the Business Registration Service (BRS) irregularly procured cloud hosting services at a contract sum of Kshs. 7,340,024.
- 174) The firm awarded the contract was not among the ten (10) prequalified suppliers under Tender No. MOICT/SDICT/055/2018-2019, contrary to the requirements of Section 102 of the Public Procurement and Asset Disposal Act, 2015 (PPADA) which governs restricted tendering. This constitutes a breach of Section 3 and 44 of PPADA, 2015, which require fairness, transparency, and accountability in procurement.
- 175) The contract was initially undated, unsigned, and unstamped, violating Regulation 61 of the Public Procurement and Asset Disposal Regulations, 2020, which requires proper execution and safekeeping of procurement contracts. Moreover, misplacement of the signed contract reflects poor records management, contrary to Section 68(2)(b) of PPADA, 2015.

Committee Recommendation

- 176) Within three (3) months of the adoption of this report, the Accounting Officer (during the period under review) must provide an explanation for incurring expenditure of Kshs.6,606,022 and entering into a contract for procurement without lawful tender documents contrary to the provisions of section 196(1) of the Public Finance Management Act, 2012.
- 177) Where the Accounting Officer fails to provide an explanation, the Accounting Officer (during the period under review) should be reprimanded for incurring Kshs.6,606,022 without lawful tender documents.

4.1.16 Payment for Goods and Services from Unregistered Supplier

- 178) Business Registration Service procured and paid for goods and services amounting to Kshs.76,273,491 in the year under review from various suppliers who were not registered as required under Sections 56 and 57 of the Public Procurement and Asset Disposal Act, Cap. 412C.

179) Consequently, it was not possible to confirm value for money in the award of the contracts and whether the contracts were sourced competitively in accordance with the Public Procurement and Asset Disposal Act, Cap. 412C.

Management Responses

180) It is true Business Registration Service did not have a list of prequalified suppliers during the year under review since it was in the process of delinking from the Office of the Attorney General hence it relied on the Ministries registered list of suppliers as per the attached request letter.

181) Currently, the Service has its own prequalification list since it has been fully delinked.

Committee Observation

182) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.17 Lack of a Disaster Recovery and Continuity Plan

183) As previously reported, the Business Registration Service did not have an approved Disaster Recovery Plan and IT Business Continuity Plan in the year under review. This posed a significant threat to the resumption of operations quickly and effectively in case of an emergency or a disaster. A lack of Business Continuity and Data Recovery Plan may affect the operations of the entity.

Management Responses

184) It is true that BRS had no Disaster recovery plan in the year under review. However, the Service relied on the hard disks which were stored in fireproof cabinets with limited access to two personnel and it used to back up on a monthly basis since it was in the process of developing its own disaster recovery and continuity plan after delinking.

Committee Observation

185) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

4.1.18 Use of Unauthorised Accounting System for Handling Government Data

186) Business Registration Service (BRS) accounting information is being processed through quick books without authority from The National Treasury. Further, there is no contract between the BRS and the supplier or developer of the system setting the terms for the use and upgrading of the system.

187) In the circumstances, management may have compromised the integrity of the BRS accounting data.

Management Responses

188) It is true BRS was using QuickBooks to maintain its records which was a replica of the manual records.

189) The quick book was a stop-gap measure as the service awaited the operationalization of ERP which has since been acquired. After the operationalization of the ERP system, all the accounting data which was in the quick book was transferred to the new system.

190) It should be noted that the QuickBooks used by BRS was customized and tailored to BRS needs.

Committee Observation

191) The Committee notes that the Business Registration Service (BRS) has been processing its accounting information using QuickBooks software without obtaining prior authority from the National Treasury, as required under Section 12(1)(e) of the PFM Act, 2012 which mandates the National Treasury to prescribe and approve accounting systems for all public entities. By using QuickBooks without Treasury approval, BRS contravened this provision, thereby undermining the uniformity and integrity of government financial reporting.

192) Moreover, BRS violated Section 68(2)(b) of the Public Procurement and Asset Disposal Act, 2015 (PPADA), which requires proper documentation and contractual agreements for procurement of goods and services. The lack of a contract exposes BRS to risks of data loss, unauthorized access, and lack of accountability in system support.

Committee Recommendation

193) BRS should immediately cease processing accounting data on QuickBooks until formal approval is obtained from the National Treasury. Within three (3) months of adoption of this report, BRS should submit to the Committee a written approval from the National Treasury authorizing the accounting system in use, a signed contract with the supplier/developer outlining terms of service, upgrades, and data protection measures and a compliance report on steps taken to align with PFMA and PPADA requirements.

4.1.19 Non-Provision of Service Providers' Contracts

194) As reported in the previous year, the Business Registration Service contracted service providers to collect revenue on its behalf. The service providers include E-Citizen and by

extension Safaricom and the Kenya Commercial Bank among others. However, the respective contract agreements were not provided for audit review.

195) In this circumstance, it was not possible to establish the legality and performance of the service providers. Further, it was not possible to ascertain the basis of the revenue collected in the absence of supporting contracts.

Management Responses

196) It is true as reported by the auditor, in the previous year's BRS has been collecting revenue through E-Citizen, Safaricom and the Kenya Commercial Bank

197) BRS does not have a contract with the E citizen which is a wholly domain of the government and also serves as the government payment gateway which ensures that individuals and businesses are enabled to make payments to the Government electronically through all available channels.

198) Business Registration Services collects it's through the E-citizen platform as per the authorities provided below;

(i) The Government vide Gazette Notice Number 2725 dated 24th April 2014 appointed a task force to implement the Government Digital Payments with the mandate to implement the Government Payment Gateway and ensure that individuals and businesses are enabled to make payments to the Government electronically through all available channels.

(ii) The mandate of the task force was captured in the Kenya Gazette special Issue no.9290 of 30th December 2014 through which the Cabinet Secretary, National Treasury introduced the Government Services Digital Payments Programme.

(iii) At its 6th meeting held on the 25th of October 2016, the board approved Business Registration Service management's request to move to the e-Citizen platform to improve efficiency in revenue collection at the companies' registry.

(iv) On Safaricom, BRS used to have a pay bill account no. 655650 which was opened by use of the National Treasury authority letter and domiciled at KCB Bank.

(v) Please note, that the pay bill account has since been closed after BRS onboarded all their manual services to the E-citizen Platform.

(vi) Business Registration Service has its revenue collection account with KCB Bank account no. 1252536569, which was opened and operated.

Committee Observation

199) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

4.1.20 Lack of a Disaster Recovery and IT Business Continuity Plan

200) As reported in the previous year, the Business Registration Services did not have an approved Disaster Recovery Plan and IT Business Continuity Plan in the year under review. This posed a significant threat to the core function of the Business Registration Services especially due to the fact that it handles sensitive information about registration of Companies.

Management Responses

201) It is true that BRS had no Disaster recovery plan in the year under review. However, the Service relied on the hard disks which were stored in fireproof cabinets with limited access to two personnel and it used to back up monthly BRS has since developed its own disaster recovery and continuity plan and approved by the board which is operational.

Committee Observation

202) The Committee observes that the matter has been addressed in previous financial year and reiterates its recommendations.

4.1.21 Lack of Medium-Term Strategic Plan

203) As reported in the previous year, the Business Registration Service did not have a Strategic Plan for medium-term fiscal framework and fiscal policy objectives during the year under review. Under the circumstances, it was not possible to evaluate the performance of the Board of Directors and Management of the Business Registration Service as regards the revenue targets, actual collection, accounting and systems.

Management Responses

204) By the time the audit was being carried out for the FY 2020/2021, BRS was in the process of developing its Strategic plan hence it relied on the approved work plan for the financial year 2020/2021. The strategic plan has already been developed and approved by the board.

Committee Observation

205) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.22 Non-Compliance with Reporting Templates and Guidelines

206) The summary statements of appropriation – recurrent, development and combined with the budget execution statement by programmes and subprogrammes were not prepared and submitted as part of the financial statements for the year ended 30 June 2021. This is contrary to the guidelines and template issued by the Public Sector Accounting Standards Board (PSASB).

Management Responses

207) The Official Receiver uses a cash basis of reporting template and guidelines. However, the OR processes are court-driven making it difficult for the OR to come up with forecast programmes and sub-programmes for any financial year.

208) It is worth noting that the Official Receiver has written to the National Treasury and copied the office of the Auditor General seeking guidance on the proper reporting template to use which will be able to cover all its office operations.

Committee Observation

209) The Committee notes that the Official Receiver (OR) failed to prepare and submit the required summary statements of appropriation (recurrent, development, and combined) together with the budget execution statement by programmes and subprogrammes for the year ended 30 June 2021. This omission contravenes the Public Finance Management Act, 2012 (PFMA), specifically Section 81(3), which requires public entities to prepare financial statements in accordance with formats prescribed by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendation

210) The Committee recommends that the Official Receiver immediately adopt and implement the PSASB-prescribed reporting templates for financial statements, ensuring inclusion of appropriation summaries and programme-based budget execution statements.

211) Within three (3) months of adoption of this report by the House, the BRS should submit to the Committee and the Auditor-General revised financial statements for FY 2020/2021 in compliance with PSASB guidelines.

4.1.23 Lack of a Fixed Assets Register

212) As disclosed in Note 6 to the financial statements, the statement of receipts and payments for the year ended 30 June 2021 reflects an expenditure on the acquisition of assets amounting to Kshs.603,600 (2020 – Kshs.3,751,000). However, it was observed that Official Receiver's assets were not tagged which could lead to loss of assets.

Audited Statements for Financial Year 2019/2020 (Unqualified Opinion)

5.1.2 Budgetary Control and Performance

230) As reflected in the statement of comparison of budget and actual amounts, the Centre incurred total actual expenditure of Kshs.134,840 175 against a budget of Kshs.181,189,737 resulting in an under expenditure of Kshs.46,349,562 or 25%. The under expenditure may have impacted negatively on the achievement of the centre's annual goals, activities, and objectives.

Management Response

231) NCIA is a faithful custodian and trustee of public funds received from the Exchequer and all resources are applied for programmes intended as per approved annual workplan, procurement and budget aligned to the NCIA Strategic plan.

232) The under expenditure was because of the rationalization by the National Treasury and Planning through guidelines and limiting expenditure to 1/3 of the financial year budget. Further, some planned activities such as the National Alternative Dispute Resolution Conference that required face to face interface was not possible due to Government Regulations on Covid-19.

233) Further, the Board is keen to ensure adherence with the approved budget and receives quarterly budget utilization reports from management to confirm compliance and to monitor budget implementation.

Committee Observation

234) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

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

5.1.3 Unreconciled variances in the amount converted into US Dollar (USD)

235) Review of the cash and cash equivalents bank balances revealed that the Centres' USD account bank reconciliation statement reflects bank balance as per bank statement of USD 99,890 while the bank statement in support of the same reflects bank statement balance of USD 71,980 resulting to unreconciled variance of USD 27,910 or Kshs.3,010,094 when converted at the Central Bank of Kenya (CBK) indicative currency mean exchange rate of 1USD to Kshs.107.85 as at June,2021.

236) In addition, note 16 to the financial statements reflects NCIA USD bank account balance of Kshs10,928,432 against the cash book balance in the bank reconciliation statement of

USD 99,890. The latter when converted to the reporting currency (Kshs) at the Central Bank of Kenya currency mean exchange rate of Kshs. 107.85 to 1 USD as at 30 June 2021 results to Kshs.10,773,137 resulting to unreconciled variance of Kshs 155,341.00

237) The above variances were not explained or supported by documentary evidence. In the circumstances, the accuracy and completeness of the cash and cash equivalents of balance of Kshs.31,277,876 as at 30th June, 2021 could not be confirmed.

Management Response

238) The Centre provided clarity with regards to maintenance of its account in KCB Ltd and carries out online transactions via a portal provided by the bank. The amount of Kes.3,156,549 was transferred from the KCB Ltd Kenya Shillings Account to the KCB Ltd USD account on 30th June 2021 but it remained on transit and was credited to the USD account on 1st July 2021 as USD 27,909.36.

239) As at 30th June 2021 this money had not reflected in the USD account hence it formed part of reconciliation in the bank reconciliation statement as of 30th June 2021, to this end the transaction has been cleared and credited to the USD bank account.

240) USD 99,890 was translated based on transaction date of each transaction and not the base rate of Kshs.107.85. This translation was mainly for reporting purposes.

Committee Observation

241) The Committee observes that the Institution was in breach of the law as the exchange of dollars was not done in accordance with the regulations.

Committee Recommendation

242) The Committee recommends that the Accounting Officer ensures strict adherence to all financial regulations governing foreign currency management by strengthening internal controls over bank reconciliations, ensuring that all USD transactions are translated using the prescribed Central Bank of Kenya indicative exchange rates, and instituting timely reconciliation procedures supported by adequate documentation; further, the Committee directs the Institution to develop clear internal guidelines for handling inter-account transfers and items in transit, enhance staff capacity on PFM compliance requirements.

5.1.4 Incorrect Presentation of Total Net Assets and Liabilities

243) The statement of financial position as at 30 June 2021 reflects total liabilities of Kshs. 17,319,717 and net assets of Kshs. 60,725,430 but reflects at the bottom total net assets and liabilities of Kshs. 60,725,430. Consequently, the total net assets and liabilities balance

is not correctly presented. In the circumstances, the accuracy and completeness of the total net assets and liabilities balance of Kshs. 60,725,430 as at 30 June 2021 could not be confirmed.

Management Response

244) The Centre aligned the presentation with the National Treasury IPSAS Reporting Template for FY 2021-2022 which is issued upon consultation with the PSASB Public Sector Accounting Standards Board (PSASB).

245) We have since corrected this issue in the Annual Report and Financial Statements for the periods mentioned. We also confirmed that total liabilities of Kshs.17,319,717 and net assets of Kshs.60,725,430 was the true position as of 30th June 2021.

Committee Observation

246) The Committee notes that the institution has subsequently adhered to the correct presentation as required by the Public Sector Accounting Standards Board (PSASB) thus the issue is resolved.

5.1.5 Variance Between the Statement of Comparison of Budget and Actual Amounts and Statement of Financial Performance

247) The statement of comparison of budget and actuals amounts for the year ended 30th June 2021 reflects total income of Kshs.156,991,891 which is at variance with the total revenue of Kshs.105,404,617 in the statement of financial performance by Kshs.51,587,274 that is described as balance brought forward, no explanation was provided for the variance.

248) In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts as at 30th June, 2021 could not be confirmed.

Management Response

249) Section 16 (3) of the NCIA Act, Cap. 49A provides that the Centre shall hold any financial balances at the close of each financial period and shall not be remitted into the Consolidated Fund but to be retained for purposes of running programmes for the Centre.

250) During the year ended 30th June 2021, the balance brought forward from previous FY2019/20 was Kshs.51,587,274 which formed part of budget for the period ended 30th June 2021 hence total budget of Kshs.156,991,891.

251) In addition, the Centre applied accrual Method of accounting to present its financial statement, and in doing this some of the contracted services covered two different financial periods and were carried forward from previous period to form part of current financial year, hence the balance brought forward in the budget.

252) In arriving at the total budget for the year, the Centre has continued to factor in balance brought forward from the previous year. This has been the practice over the years as supported by the Section 16 (3) of the NCIA Act . Management was given an opportunity to clarify this position to the Auditor General in the just concluded audit cycle for the period ended 30th June 2022.

Committee Observation

253) The Committee notes that the institution has since reconciled their books of accounts thus the issue stands resolved.

5.1.6 Financial Performance

254) During the year under review, the Centre reported deficit of Kshs.50,225,762 (2019/2020) a deficit of Kshs.592,994). The Centre had total revenue of Kshs.105,404,617 against total expenses of Kshs.155,716,525 resulting to a deficit of Kshs.55,225,792 caused mainly by over-expenditure in compensation of employees and use of goods and services of Kshs.6,713,168 and 4,404,576 respectfully.

255) Persistent deficits may result in the Centre's inability to meet financial obligations as and when they fall.

Management Response

256) In financial reporting, the Centre uses the accrual basis of accounting in the preparation of its financial statements, which results in either a surplus or a deficit at the end of a reporting period. In arriving at this, several non-cash items like depreciation, accrued expenses, provisions and prepayments are taken into consideration.

257) Additionally, in the prior years the Centre brought forward surpluses. This amount has over the years reduced.

258) The Statement of Comparison of the Budget and Actual Amounts as contained in the NCIA Annual Report and Financial Statement for the Year Ended 30th June 2021 indicates that the Centre has not been operating on a deficit as an analysis of the same shows utilization of resources in accordance with approved budget.

259) The Board is keen to ensure adherence with the approved budget and receives quarterly budget utilization reports from management to confirm compliance and to monitor budget implementation.

Committee Observation

260) The Committee observes that the Institution has since adhered to the budgets thus the issue stands resolved as the Auditor General is satisfied with the management's responses.

5.1.7 Irregular Procurement of ICT Infrastructure

261) Review of procurement documents revealed that the Centre procured ICT infrastructure through restricted tendering and awarded a firm two components of the contract for Kshs2,525,328 and Kshs2,626,951 all totalling Kshs.5,152,279. However, the following irregularities were noted:

- (i) The Centre had eight (8) firms prequalified for Procurement of Supply, Installation and Configuration of Online Enterprise Mail System (Office 365) and selected only five firms to participate in supply, installation, and configuration of broadband internet services. This is contrary to regulation 89 (5), (6) and (8) of the Public Procurement and Disposal Regulations, 2020 which states that, “ (5) where restricted tendering is used pursuant to section 102(1) (b) of the Act, the procuring entity shall invite tenders from at least ten persons selected from the list maintained as provided under section 57 and 71 of the Act or otherwise as permitted under Section 56 of the Act; (6) where restricted tendering is used pursuant to Section 102 (1) (c) of the Act, the procuring entity shall invite tenders from all the known suppliers of the goods works or services; (8) For greater certainty of Section 102 (1) (d) of the Act any procurement under section 102 (1) (c) of the Act, the procuring entity shall place an advertisement on its website or on State portal regarding their intention to procure through restricted tender for at least three days before inviting tenders and where any bidder outside the known suppliers emerge he or she shall be invited to bid”.
- (ii) Although the Chief Executive Officer signed the contract on 6th August 2020 the contract was drawn on 21st August 2020 with contract start date of 31st July 2020 and end date of 31st July 2022. However, no explanation was provided why the contract was signed before the date drawn, and the start date was retrospective to the date of the contract.

262) In the circumstances, the regularity of the procurement for supply, installation and configuration of online enterprise mail system could not be confirmed.

Management Response

- 263) The procurement of ICT infrastructure entailed two different independent tenders i.e
- i) Tender for supply, installation and configuration of online mail enterprises (office 365) for a period of **two years** at a total sum of Kshs.2,525,328. and
- 264) Tender for supply, installation and configuration of broadband internet services for a period of **two years** at a total sum Kshs.2,626,951.
- 265) Whereas the PPADA, 2015 gives 4 options to choose while procuring through restricted tender, the Auditor relied on Section 102 (b) of the PPADA backed by section 89 (5) which states " in pursuant to section 102 (1(b) the procuring entity shall invite tenders from at least 10 persons selected from the prequalified list".
- 266) At the time of procurement, the Centre had no responsive prequalified list for provision of internet services and Microsoft 365 and therefore relied on section 71 (4) of PPADA, Cap. 412C which states that: *"The head of procurement function shall maintain and continuously update lists of registered suppliers, contractors, and consultants in various specific categories of goods, works or services according to its procurement needs: (4) The lists shall be applied on the alternative procurement methods as specified and appropriate, and the list shall -*
- (a) *be generated through portal, websites and people submitting hard copies of their intention to supply.*
 - (d) *be generated through market knowledge and survey.*
- 267) Approval was granted for the five (5) firms (Safaricom Kenya, Telkom Kenya, Liquid Telecommunications, Jamii Telecom Ltd (JTL) and MTN) generated through market knowledge and on which the Centre acted as per Section 102 (1) (c) of the Act, which states that *"restricted tender may be used if there is evidence to the effect that there are only few known suppliers of the whole market for the goods, works and services"*.
- 268) To enhance the process more and to attract a significant number of suppliers in the market, the Centre also applied Section 102 (1) (d) of the Act states that "an advertisement is placed, where applicable on Procuring Entity website regarding the intention to procure through limited tender. This is evidenced by the Centre's notice of intention to procure through restricted tender as circulated on the NCIA website and on the Public Procurement Information Portal (PPIP) and by placement of the said tender documents on the NCIA website and on www.tenders.go.ke.

- 269) Noting the observations of the AOG, the notice of intention to procure through limited tender can be accessed on the Centre's website www.ncia.or.ke and on the Government portal www.tenders.go.ke together with the tender documents solicited on both website platforms to confirm compliance with Section 102 (1)(d) of PPADA, Cap. 412C.
- 270) Whereas we note the observations made, the contract signed clearly indicates that the contract agreement is between Nairobi Centre for International Arbitration and M/S Liquid Telecommunications Kenya Limited for supply, installation & configuration of online enterprise mail system, Contract No. NCIA/CONT/SICOEMS/002/2020-2021 with all clearly stipulating all terms and condition of the contract.
- 271) For the date discrepancies, the contract was signed by the Accounting Officer immediately after the lapse of the standstill period i.e., 6th August 2020. The service provider signed Contract on 25th August 2020 due to movement restrictions during the Covid-19 era but issued a letter for contract implementation as per the Contract date.
- 272) Noting the observations of the OAG, the letter notifying the commencement and implementation of the Contract on the date provided in the contract by the service provider M/S Liquid Telecommunication has been provided to be part of the contract.

Committee Observation

- 273) The Committee observed that the tenders were not procured as per the law of open tendering. The institution should have sought approval before engaging in an open tender.
- 274) Further, the Committee finds the CEO in breach of law in regard to an unauthentic contract.

Committee Recommendation

- 275) Within three (3) months of the adoption of this report, the Accounting Officer (during the period under review) must provide an explanation for incurring expenditure of Kshs. Kshs.5,152,279 and entering into a contract for procurement without lawful tender documents contrary to the provisions of section 196(1) of the Public Finance Management Act, 2012.
- 276) Where the Accounting Officer fails to provide an explanation, the Accounting Officer (during the period under review) should be surcharged Kshs.5,152,279 pursuant to the provisions of Section 202 of the Public Finance Management Act, 2012.

5.1.8 Delays in Posting Transactions in the Cash Book

277) Bank reconciliation statements for Clients Trust Account reflect that the Centre received direct deposits of Kshs.236,000 in October 2020 and Kshs.190,000 in February 2021 from an Agency. However, these two transactions dated October 2020 and February 2021 were posted in the cash book in June 2021. No explanation was provided to support the delays in posting the transactions in the cash book.

278) Consequently, the regularity and fair presentation of the cash and cash equivalents of balance of Kshs.31,277,876 as at 30th June, 2021 could not be ascertained.

Management Response

279) Despite all the effort to identify the sources, the Centre did not have sufficient details pertaining to the two direct deposits, thus the delays in posting in the cashbook.

280) Moving forward, all direct deposits in the bank account are recorded in the cashbook promptly. These deposits were appropriately recorded in the cash book and cleared in the reconciliation statements as at 30th June 2022.

Committee Observation

281) The Committee observed that the institution was in breach of law.

Committee Recommendation

282) The Committee recommends that the Accounting Officer strengthens internal controls over cashbook management by ensuring that all bank transactions, including direct deposits, are recorded promptly and supported with adequate documentation to prevent delays and enhance the accuracy of financial records; further, the Institution should implement clear procedures for verifying unidentified deposits, enforce strict compliance with financial regulations, and submit evidence of corrective actions taken to avoid recurrence of such lapses.

5.1.9 Irregular Operation of Foreign Currency Bank Account and Inter-Currency Transfers

283) Further, a review of bank statements revealed that the NCIA transferred revenue through an unreferenced transaction dated 30 June 2021 from a Kenyan shilling designated bank to a USD designated bank account an amount of Kshs 3,156,549 to USD 27,909.36 without prerequisite authority. This is contrary to regulation 64 (3) of the Public Finance Management (National Government) Regulations, 2015 which

prohibits a receiver and collector of revenue from converting public moneys received in local currency into foreign currency and vice versa.

Management Response

284) The reason for the transfer was to delineate the Appropriation in Aid (AIA) amount of Kshs 3,156,549 from operational monies, the amount was transferred to the USD account from Kenya Shillings Account at the end of the financial year.

285) The USD account is a non-operational account, and this money was transferred in order to preserve the AIA until a guideline is issued by the National Treasury as per our request letter Ref. NCIA/BD/12/3VOL/1(65) on Authority to utilize AIA. No money has since been transferred from Kenya Shillings account to US Dollar account.

286) The Centre affirms that these amounts remain safe and unused until such a time when the National Treasury will provide direction. Management notes the OAG guidelines regarding regulation 64(3) and has initiated the process to obtain National Treasury authority.

Committee Observation

287) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

6.0 KENYA ACCREDITATION SERVICE

288) Mr. Martin Chesire- Chief Executive Officer, accompanied by; -

- i) Mr. Andabwa Henry- Accountant
- ii) Mr. John Kamau- Chief Manager, Corporate Services

Appeared before The Committee to adduce evidence on the audited accounts of Kenya Accreditation Service, on 6th March 2024.

Audited Statements for Financial Year 2018/2019 (Unqualified Opinion)

6.1.1 Irregular Payment of Medical Insurance Services

289) During the year under review, Management procured medical insurance cover from Jubilee Insurance (Group Life Insurance Scheme) and First Assurance Company at contract sum of Kshs.1,344,426 and Kshs.802,056 respectively. On 21 July, 2018, an amount of Kshs.641,035 was paid as part payment to Jubilee Insurance. However, the contract documents availed for audit review indicated that the Insurance Scheme was to be effective between 15 February, 2018 to 14 February, 2019. The agreement was

however, signed on 11 July, 2018, six months after the cover was effected contrary to the Public Procurement and Asset Disposal Act, 2015. The payment was not supported with notification of the award or acceptance letter of offer. Further, the contract agreement between the KENAS and First Assurance Company Tender No. KENAS/29/2018-2020 was entered into on 23 April, 2018 with the effective date of 2 February, 2018, two and half months earlier. This is in contravention of the Section 135(3) of the Public Procurement and Asset Disposal Act which requires that a written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification, provided that a contract shall be signed within the tender validity period.

Management Response

- 290) The audit query concerned two (2) separate insurance policy covers and not medical insurance, namely:
- i. Group Life Insurance cover awarded to Jubilee Insurance; and
 - ii. Group Personal Accident (GPA) and Work Injuries Benefits Insurance (WIBA) awarded to First Assurance Company
- 291) The audit query on Group life insurance awarded to Jubilee Insurance was two-fold: (1) lack of supporting documents for the payments and (2) delay in contract execution.
- 292) Lack of supporting documents for payment: at the time of the audit, the letter of notification award and the acceptance of the offer by Jubilee Insurance were not made available to the auditors. The letters were also not included as accountable documents for processing payment.
- 293) To mitigate recurrence, the Supply Chain Staff were henceforth advised to attach letters of notification of award and acceptance of the offer as accountable supporting documents for payment approval. The Finance Staff examining payment vouchers were similarly advised to verify the enclosure of the two letters as supporting documents.
- 294) During the contract execution, unavoidable delays were occasioned by interparty negotiations, although Jubilee Insurance provided the policy coverage on time.
- 295) To mitigate recurrence, the Public Procurement and Assets Disposal Regulations 2020 has provided an effective solution to prevent insurance providers from attempting to negotiate contract terms after the Tender award. After the award, the service provider accepted the offer.

- 296) The audit query on Personal Accident (GPA) and Work Injuries Benefits Insurance (WIBA) awarded to First Assurance Company concerned timely contract execution delays.
- 297) There were unavoidable delays in signing the contract within the tender validity period due to the interparty contract review, particularly on the Policy document. First Assurance Company took an extended time to return the contract for execution by the Service
- 298) To further mitigate against the recurrence of delays in contract execution, starting in October 2019, the Service introduced a contract tracking system to ensure that tenders are initiated early enough to allow for contracts to be executed within the validity period.
- 299) The following two tools were put in place:
- (i) Contract summary form as a quick reference for reviewing contract information for each contract, including risks associated with statutory timelines. A copy of the contract summary form is provided to the user departments upon contracting as a basis to monitor timelines for contract expiry and/or renewal (where applicable).
 - (ii) Contract management sheet as a tracking tool by the Legal Services Division to keep track of all contracts, their validity, due dates for renewal and performance review

Committee Observation

- 300) The Committee observed that the institution failed to provide requisite documents on time as required by section 68(2) of the PFM Act.

Committee Recommendation

- 301) The Committee sites the CEO with non-compliance to laws and regulations stipulated.
- 302) Further, the Committee recommends that henceforth, Accounting Officers should comply with Section 68(2)(k) of the PFM Act.

6.1.2 Procurement of Low Value Items

- 303) The Service procured goods/services on diverse dates amounting to Kshs.108,852 in cash. The Service carried out a repetitive and costly procurement cycle which would have been avoided in the purchases of low value items through normal quotation/tendering process which is also tantamount to splitting of request to avoid the tendering process. This is contrary to Regulation 6(1) of the Public Procurement Regulation, 2015 which requires that a procuring entity shall, pursuant to Section 26(3)(b) of the Act, undertake

procurement in accordance with the threshold matrix set out in the First Schedule of the regulations.

Management Response

304) The audit query concerned a repetitive quotation process undertaken for various stationery items, as listed in the table below.

LPO No.	Details	Amount (KES)	Payment Voucher (Date)	Page
0414	Design and supply of KENAS branded pens	17,069	PV4725 (06-Aug-2018)	124
1144	Purchase of assorted stationery items	25,584	PV4741 (07-Aug-2018)	138
1145	Purchase of assorted stationery items	10,116	PV4742 (07-Aug-2018)	146
0484	Supply of brown envelopes	18,965	PV4831 (20-Sep-2018)	156
0570	Supply of stationeries	13,030	PV5048 (04-Jan-2019)	168
1188	Purchase of assorted stationery items	6,478	PV5312 (24-Apr-2019)	180
Cash	Purchase of literature stand	15,172	PV5338 (03-May-2019)	189
1189	Purchase of stationeries	8,961	PV5408 (27-May-2019)	193

305) As shown in the table above, only one item was procured through cash purchase amounting to KES 15,172 (Purchase of literature stand).

306) Following the audit query, a review was undertaken on the stocking levels to determine high-consumption items and the frequency of these items. As a result, the stock replenishment levels were adjusted for some items. Furthermore, for stationery items procured more than once during that financial year, an evaluation criterion was introduced to establish whether these items must be stocked or not.

307) From the Financial Year 2019/2020, the Service introduced criteria to require users to state if the new stationery item is to be purchased as a one-off or stocked. In addition, from the succeeding financial year, the Service introduced a categorization of stationery items to allow for awards to fewer suppliers. As a result, there are now bulk annual purchases for stock items, but delivery is allocated quarterly.

Committee Observation

308) The Committee observed that the Accounting Officer was in breach of the Procurement Law by carrying out a repetitive and costly procurement cycle which would have been avoided in the purchases of low value items through normal quotation/tendering process.

Committee Recommendation

ii) Anne Njeri- Supply Chain Officer

iii) Erick Kipsat- Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Nairobi Centre for International Arbitration, on 29th November 2023.

Audited Statements for Financial Year 2018/2019 (Unqualified Opinion)

5.1.1 Budgetary Control and Performance

224) The Statement of comparison of budget and actual amounts reflects a final revenues budget and actual revenue on comparable basis of Kshs. 195,904,845 and Kshs.115,718,805 respectfully, resulting to an underfunding of Kshs. 80,186,040 or 41% of the budget. Similarly, the Centre expended Kshs.142,992,654 against an approved budget of Kshs.195,904,845 resulting to an under-expenditure of Kshs.52,912,191 or 27% of the budget. The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

225) The Centre clarified that the shortfall of income was because of austerity measures and budgetary cuts introduced by the National Treasury & Planning on development expenditures in FY2018-2019 across all Government agencies. Further NCIA being a faithful custodian and trustee of public funds received from the Exchequer all resources received were applied for programmes intended as per approved annual workplan, procurement and budget aligned to the NCIA Strategic plan.

226) Further, the Board is keen to ensure adherence with the approved budget and receives quarterly budget utilization reports from management to confirm compliance and to monitor budget implementation.

227) The Auditor General gave an unqualified opinion on the NCIA Annual Report and Financial Statements for the Year ended 30th June 2019.

Committee Observation

228) The Committee notes that the Institution is taking measures to ensure maximum expenditure as per the budget.

Committee Recommendation

229) The Committee recommends that the Institution henceforth acts within the budget and in the case of unforeseen circumstances, a supplementary budget should be made and adhered to.

213) Under the circumstances, the existence and security of assets as of 30 June 2020 could not be confirmed.

Management Responses

214) As noted by the auditor, BRS had not transferred all the assets to the newly introduced asset register by the National Treasury. All the assets are now fully updated in the asset register.

215) The Official Receiver is a department under the Business Registration Service and the assets of both OR and BRS have been tagged.

Committee Observation

216) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

4.1.24 Payment for Goods and Services from Unregistered Suppliers

217) Business Registration Service-Official Receiver procured and paid for goods and services amounting to Kshs.41,335,674 from various suppliers who were not registered as required under Sections 56 and 57 of the Public Procurement and Asset Disposal Act, Cap. 412C. It was, therefore, not possible to confirm whether the contracts were sourced competitively.

Management Responses

218) The finding is noted and is indeed true.

219) The Official Receiver is a department under the Business Registration Service

220) It is true Business Registration Service did not have a list of prequalified suppliers during the year under review since it was in the process of delinking from the Office of the Attorney General hence it relied on the Ministries registered list of suppliers as per the attached request letter.

221) Currently, the Service has its prequalification list since it has been fully delinked.

Committee Observation

222) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

5.0 NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION (NCIA)

223) Mr. Lawrence Ngugi- Chief Executive Officer, accompanied by: -

i) Moses Ochieng' – Senior Accountant

309) The Committee recommends that the Accounting Officer ensures full compliance with the Public Procurement and Asset Disposal Act and its Regulations by strengthening internal controls to prevent the splitting of procurement requests and repetitive low-value purchases outside the approved quotation and tendering procedures; further, the Service should streamline its procurement planning, enforce adherence to threshold limits, maintain adequate stock management systems, and ensure that all future procurement decisions are properly justified, documented, and subjected to competitive processes to enhance value for money and accountability.

6.1.3 Procurement of Peer Expenses

310) Payment of Kshs.285,840 was made to Real Edge Africa Venture vide voucher No.5189 dated 27 February, 2019 for provision of air tickets for peer evaluators having been evaluated the lowest bidder. The evaluators were to arrive in Nairobi on 23 and 25 November, 2018 and depart on 1 December, 2018. The local service order was however raised on 13 December, 2018 two weeks after the event took place between 26 November and 30 November, 2018 thus undertaking the service without a valid contract contrary to the Public Procurement and Asset Disposal Act, 2015 Section 135(4) which states that “No contract is formed between two persons submitting the successful tender and the Accounting Officer of a procuring entity until the written contract is signed by the parties” followed by issuance of an order.

311) In the circumstances, Management is therefore in breach of the law.

Management Response

312) We concur with the Auditor General's report that the Service that the Local Service Order (LSO) was raised on 13th December 2018, two weeks after the event took place between 26th November and 30th November 2018.

313) At the time of the audit query, the Service relied on manual issuance of LSO and LPO. The Service has since automated the process for issuance of LPOs with date and time stamps.

Committee Observation

314) The committee observed that the CEO was indeed in breach of the law

Committee Recommendation

315) The Committee reprimands and sites the CEO for non-compliance with the law.

6.1.4 Failure to Comply with Requirement to Implement IFMIS and e-ProMIS

316) The Service has not linked its Enterprise Resource Planning (ERP) with the Integrated Finance Management Information System as directed through The National Treasury Circular No.19/15 of 18 December, 2015 under Ref. No. DGIPE/A/1/10 Category 4 - Other Projects which states that State Corporations are required to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as appropriate and Presidential directive dated August, 2014 which directed that all State Corporations like any other entities comply to full use of e-procurement. In the circumstances, Management is in breach of the law

Management Response

317) At the outset in 2015, the Service engaged the National Treasury IFMIS department, which undertook a readiness assessment visit after the Service submitted feedback to the systems requirements questionnaire. In addition, the Service staff were trained on the e-procurement system, and the Service posts its tenders on the Tenders Portal.

318) At the time of the audit, the Service had not undertaken much work towards onboarding on the e-procurement (eProMIS) system. As a result of the audit query, the Service requested the National Treasury IFMIS team for a meeting via a Letter dated 11th June 2020.

319) On 23rd June 2020, the National Treasury IFMIS Department responded, informing the Service that they were working on enhancing the e-procurement module. It also invited the Service to be part of the pilot agencies during the FY 2020/2021.

320) Subsequently, a meeting was held on 7th July 2020 to assess the preparedness of the Service to be part of the pilot agencies. Given the continued resurgence of COVID-19, a follow-up meeting was not possible until 29th April 2021.

321) On 31st May 2021, the Service requested a readiness assessment to guide an implementation roadmap. The letter remained unanswered, and on 31st January 2022, the Service wrote a reminder for the readiness assessment.

322) On 10th March 2022, a meeting was held with the IFMIS Department team regarding understanding the e-procurement set-up (see minutes and attendance register on. A follow-up meeting was held on 16th March 2022 to demonstrate the functionality of e-procurement (see minutes and attendance on. At the meeting, the IFMIS team realized that the Service could not onboard the Service on the e-procurement module, given that

IFMIS and e-procurement are designed for "cash-basis" accounting and not "accrual basis" accounting.

323) The final communication with the IFMIS department was done in October 2022, and the Service has yet to receive a way forward to allow it to comply with the Executive Order of 2015. As such, the matter is still outstanding on the IFMIS Department's ability to customize the e-procurement module for accrual accounting purposes.

Committee Observation

324) The audit established that the Service had not complied with the requirement to integrate its Enterprise Resource Planning (ERP) system with the Integrated Financial Management Information System (IFMIS) and e-ProMIS as mandated under National Treasury Circular No. 19/15 of 18 December 2015 and the Presidential directive of August 2014. Despite initial engagement with the National Treasury IFMIS Department in 2015 and subsequent interactions from 2020 to 2022, the Service had not onboarded onto the e-procurement platform at the time of audit. The process remained incomplete due to delays in readiness assessments, interruptions caused by the COVID-19 pandemic, and the discovery that the current e-procurement module is designed for cash-basis accounting, whereas the Service operates on an accrual-basis framework. Consequently, the Service remained non-compliant with the mandatory requirements for automation and integration of procurement and financial management processes.

Committee Recommendation

325) Management should intensify engagement with the National Treasury IFMIS Department to fast-track a viable solution that enables full compliance with IFMIS and e-ProMIS integration requirements. In addition, Management should establish a structured implementation roadmap with clear timelines, escalate unresolved system-compatibility issues through the appropriate government channels, and ensure continuous follow-up to prevent further delays and sustain compliance with national financial management regulations.

6.1.5 Imprest Register

326) During the year under review, the Service maintained an imprest register that was not properly updated and lacked columns for the imprest due/surrender dates hence making it difficult to determine the actual date for surrendering the imprests.

327) In the circumstances, the internal controls are weak and may not be effective. Management may not readily identify an imprest holder of a temporary imprest who has not accounted for or surrendered the imprest within 7 working days after returning to duty station.

Management Response

328) We concur with the Auditor General's report that the Service maintained an imprest register that was not properly updated and lacked columns for the imprest due/surrender dates.

329) The imprest register was configured to capture the date of the imprest surrender to ensure that accounting is done on time.

Committee Observation

330) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

6.1.6 Information Technology (IT Environment)

331) The Service does not have an approved Information Technology (IT) strategic plan that supports operation requirements of the Service such as training program to build IT capacity, documented and approved processes to manage and upgrade system changes made to all information systems.

332) Lack of an approved information technology Strategic Plan may expose the Service to the risk of non-alignment of IT operations with the overall business strategy. This may also lead to information security and systems development flaws due to lack of direction on information systems matters.

Management Response

333) The root cause is that the Service lacked the capacity of competent Staff to facilitate the formulation of a 3 to 5-year ICT Strategy as a result of the voluntary exit of the ICT Manager in May 2018.

334) Nevertheless, the Service relied on the assistance of the ICT Authority (ICTA) to undertake an ICT automation survey whose recommendations facilitated the Service's establishment of annual plans to improve its ICT environment.

335) In June 2022, the Service recruited and onboarded a Principal ICT Officer. Since then, ICT policies have been developed to enable the ICT environment fully.

336) In October 2023, the Service contracted Jomo Kenyatta University of Science and Technology to facilitate the development of the Digitization Strategy. The Service is concluding the formulation of its five-year Digitization Strategy to be approved by the Board in January 2024.

Committee Observation

337) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified all the necessary documents.

Audited Statements for Financial Year 2019/2020 (Unqualified Opinion)

6.1.7 Budgetary Control and Performance

338) The statement of comparison of budget and actual amounts reflects an approved revenue budget of Kshs.189,900,000 and actual revenue of Kshs.192,180,501 resulting to a revenue surplus of Kshs.2,280,501. Similarly, the statement reflects an expenditure budget of Kshs.189,900,000 and an actual expenditure of Kshs.198,022,730 resulting to an over expenditure of Kshs.8,122,730. The over expenditure mainly occurred under remuneration of Directors with an actual expenditure of Kshs.11,709,438 against the budgeted expenditure of Kshs.4,252,000. An over expenditure also occurred under development expenditure with an actual expenditure of Kshs.6,802,775 against a Nil budgeted expenditure. However, no evidence was provided to confirm whether authority was sought from the parent Ministry and The National Treasury for the budget reallocation and over expenditure.

Management Response

339) The audit query concerned a lack of evidence to support the reallocations applied to the FY 2019/2020 Budget. As a result, the Service had an over-expenditure of Kshs.8,122,730 based against the budget in Supplementary No. 1 estimates of Kshs.189,900,000 and an actual recurrent expenditure of Kshs.198,022,730.

340) On 15th July 2019, through a Letter Ref: MOI/CONF/3/12/VOL 9/66, the State Department of Industrialization notified the Service of the approved FY 2019/2020 Budget with advise to rationalize its budget based on the approved allocation in the FY 2019/2020 Printed Estimates.

341) On 23rd July 2019, the Head of Public Service, via Circular Ref. OP/CAB 18/19/10A conveyed the Cabinet's directive to all State Corporations, limiting the recurrent spending

to one quarter (1/4) of the previous financial year's budget (FY 2018/2019). In addition, the Circular required the Board to enforce compliance with the directive.

342) On 31st July 2019, via Treasury Circular No. 12 of 2019, the Chairman of the Board, The Chair of the Board Finance Committee, the CEO, and two senior officers were invited to a review and rationalization meeting scheduled for 19th August 2019.

343) On 19th August 2019, the Service held a meeting with the National Treasury to team review the FY 2019/2020. At the end of the meeting, recommendations for amendments were made minutes of the meeting.

344) Subsequently, on 2nd September 2019, the Service submitted its rationalized FY 2019/2020 as agreed at the meeting with the National Treasury team. The rationalized budget had a ceiling of Kshs.216,309,721. The Service proposed increasing its Appropriation in Aid to Kshs.102,473,621 in the rationalized FY 2019/2020 budget.

345) Furthermore, in the rationalized FY 2019/2020 budget, the Service allocated Kshs.10,002,465 for Board expenses and Kshs.7,827,000 for capital expenditure. As such, the Service implemented the rationalized FY 2019/2020 budget based on its submission on 2nd September 2019.

346) Although the FY 2019/2020 Supplementary No. 1 Estimates did not capture the rationalized budget, the communication from the National Treasury on approval of the FY 2020/2021 budget captured the rationalized FY 2019/2020 Budget as submitted in September 2019.

347) Following the audit query, the Service has consistently pursued approvals on any revision or adjustments of its budget.

Committee Observation

348) The Committee observed that there was no approval for budgets used by the institution.

Committee Recommendation

349) The Committee reprimands the Accounting Officer and recommends that he acts according to the laws and regulations stipulated.

6.1.8 Non-Implementation of E-Procurement as per Government Directives

350) The Service has not linked its Enterprise Resource Planning (ERP) with the Integrated Finance Management Information System (IFMIS) as directed through The National Treasury Circular No.19/15 of 18 December, 2015 which required State Corporations to ensure that capital projects are captured in the Plan-to-Budget in IFMIS and e-ProMIS as

appropriate. Further, contrary to Executive Order No.6 of 2015 and Executive Order No.2 of 2018, the Service had not fully implemented e-procurement and continues to undertake its procurements manually. The Management was in breach of the guidelines.

Management Response

- 351) At the outset in 2015, the Service engaged the National Treasury IFMIS department, which undertook a readiness assessment visit after the Service submitted feedback to the systems requirements questionnaire. In addition, the Service staff were trained on the e-procurement system, and the Service posts its tenders on the Tenders Portal.
- 352) At the time of the audit, the Service had not undertaken much work towards onboarding on the e-procurement (eProMIS) system. As a result of the audit query, the Service requested the National Treasury IFMIS team for a meeting via a Letter dated 11th June 2020.
- 353) On 23rd June 2020, the National Treasury IFMIS Department responded, informing the Service that they were working on enhancing the e-procurement module. It also invited the Service to be part of the pilot agencies during the FY 2020/2021.
- 354) Subsequently, a meeting was held on 7th July 2020 to assess the preparedness of the Service to be part of the pilot agencies. Given the continued resurgence of COVID-19, a follow-up meeting was not possible until 29th April 2021.
- 355) On 31st May 2021, the Service requested a readiness assessment to guide an implementation roadmap. The Letter remained unanswered, and on 31st January 2022, the Service wrote a reminder for the readiness assessment.
- 356) On 10th March 2022, a meeting was held with the IFMIS Department team regarding understanding the e-procurement set-up. A follow-up meeting was held on 16th March 2022 to demonstrate the functionality of e-procurement. At the meeting, the IFMIS team realized that the Service could not onboard the Service on the e-procurement module, given that the design of IFMIS and e-procurement are for "cash-basis" accounting and not "accrual basis" accounting.
- 357) The final communication with the IFMIS department was done in October 2022, and the Service has yet to receive a way forward to allow it to comply with the Executive Order of 2015. As such, the matter is still outstanding on the IFMIS Department's ability to customize the e-procurement module for accrual accounting purposes.

Committee Observation

358) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

6.1.9 Information Technology (IT Environment)

359) The Service does not have an approved Information Technology (IT) Strategic Plan that supports operation requirements of the Service such as training program to build IT capacity, documented and approved processes to manage and upgrade system changes made to all information systems. Lack of an approved Information Technology Strategic Plan may expose the Service to the risk of non-alignment of IT operations with the overall business strategy. This may also lead to information security and systems development flaws due to lack of direction on information system matters.

Management Response

360) The root cause is that the Service lacked the capacity of competent Staff to facilitate the formulation of a 3 to 5-year ICT Strategy as a result of the voluntary exit of the ICT Manager in May 2018.

361) Nevertheless, the Service relied on the assistance of the ICT Authority (ICTA) to undertake an ICT automation survey whose recommendations facilitated the Service's establishment of annual plans to improve its ICT environment.

362) Enclosed herein are the ICT automation surveys for the year 2019, 2021 and 2023.

363) In June 2022, the Service recruited and onboarded a Principal ICT Officer. Since then, ICT policies have been developed to enable the ICT environment fully.

364) In October 2023, the Service contracted Jomo Kenyatta University of Science and Technology to facilitate the development of the Digitization Strategy.

365) The Service is concluding the formulation of its five-year Digitization Strategy to be approved by the Board in January 2024

Committee Observation

366) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

Audited Statements for Financial Year 2020/2021 (Unqualified Opinion)

6.1.10 Property, Plant and Equipment

367) The statement of financial position reflects property, plant, and equipment of Kshs.9,516,539 which, as disclosed in Note 21 to the financial statements, includes motor vehicles with an original cost of Kshs.5,590,000 but which were fully depreciated.

368) Although the motor vehicles are still in use, no revaluation has been done contrary to the provisions of Section 44 of the International Public Sector Accounting Standards 17 which requires such revaluation to be carried out.

369) Consequently, the completeness and accuracy of the property, plant and equipment of Kshs.9,516,539 as at 30 June, 2021 could not be confirmed.

Management Response

370) The audit query concerned the fact that the Service relied on a private insurance company's motor vehicles valuation report as the basis for the value used to prepare financial reports instead of undertaking a valuation by the Government Chief Mechanical Engineer.

371) Following the audit query, the Service immediately re-valued the motor vehicles by the Chief Mechanical Engineer.

372) Subsequently, the Service has relied on the relevant Government Department to value its assets each year. For the FY 2023/2024, the valuation reports for the motor vehicles done by the Chief Mechanical Engineer are given. In addition, the valuation for fixtures and fittings is provided.

Committee Observation

373) The Committee observed that the matter had been resolved as the Auditor General was satisfied with the management response.

6.1.11 Material uncertainty relating to going concern.

374) The statement of financial performance reflects an operating loss for the period under review of Kshs.36,035,212; (2019/2020: loss of Kshs.5,842,229), resulting to increased accumulated deficit of Kshs.52,538,809; (2019/2020: Kshs.17,171,952). Further, the statement of financial position reflects current assets and liabilities balances of Kshs.38,341,130 and Kshs.57,607,996 respectively, resulting to net liability position of Kshs.19,266,866 (2019/2020: net asset position of Kshs.11,296,815).

375) Management has not assessed the ability of the Service to continue as a going concern and the financial statements have been prepared on a going concern basis on the assumption that the Service will continue to get financial support from the National Government and creditors.

Management Response

376) The effects of the COVID-19 pandemic curtailed the overall financial performance of the Service, specifically the continued ban on in-person meetings and travel restrictions within Kenya and across borders.

377) It is recalled that in March 2020, at the outset of the pandemic, the Service suspended all accreditation assessments (94) and training activities planned between March 2020 and June 2020. As a result, the Service could not undertake accreditation assessments outside Nairobi and in foreign countries until mid-February 2021.

378) Regarding assessing the Service's ability to operate as a going concern, in the May 2022 response, the Board of the Service reviewed its current business model. It adopted a future business model to ensure its financial stability and as a pathway to sustainability. Based on the future business model, the Service undertook several initiatives and measures, namely:

- a) Alignment of payment of annual fees to the fiscal year
- b) Transfer of direct costs of assessments to be met by clients directly and not invoiced by the Service to ease cashflow pressure by adoption of a travel and accommodation policy.
- c) Develop and adopt the policy of calculating person days for each client instead of the current one-size-fits-all model.
- d) Implement the Enhancement of Accreditation Programme in Kenya (EAP-K) Project to strengthen institutional capacity with Kshs 100 million funding.
- e) Initiatives on Rebranding, revamping of website and onboarding on eCitizen

379) As a result of the above, in FY 2022/2023, the Service reported an improved financial position at the end of June 2023, with an operational surplus of Kshs.13,381,124 and its current assets of improved to Kshs.127,059,238 against liabilities balances of Kshs.116,649,671.

Committee Observation

380) The Committee observed that the institution is operating with a negative working capital which could notably lead to bankruptcy of the institution.

Committee Recommendation

381) The Committee recommends that the Accounting Officer must ensure that the Kenya Accreditation Service remains afloat and avoid bankruptcy which may lead to collapse.

6.1.12 Non-Compliance with Quorum for Board Meetings (Finance Meetings)

382) The statement of financial performance reflects an expenditure of Kshs.21,931,009 in respect of remuneration of Directors which, as disclosed in Note 12 to the financial statements includes sitting allowances of Kshs.6,894,770 out of which an amount of Kshs.120,000 was paid for three committee meetings. However, the meetings were attended by two (2) Members each and therefore there were no quorum. This is contrary to Section 4 of Chapter 8 of Mwongozo Code of Governance which states that the quorum for Board committee meetings shall be three (3) Members.

Management Response

383) The non-compliance with the Board Quorum was caused by the resignation of a Director that occasioned a lack of quorum. The Board subsequently assigned additional Directors whenever there was a vacancy to ensure Board Committees were quorate to transact business.

Committee Observation

384) The Committee observed that the Institution operated with fewer than the stipulated members of the board of governors, contrary to the provisions of the law to meet its required quorum.

Committee Recommendation

385) The Committee reprimands the Accounting Officer for convening meetings without a lawful quorum and surcharges the Board members involved a total of Kshs.120,000. Going forward, the Accounting Officer should always adhere to the Mwongozo Code of Governance and ensure that future Board and committee meetings comply fully with statutory quorum requirements.

7.0 NATIONAL TRANSPORT AND SAFETY AUTHORITY

386) Mr. George Njao, Director General, accompanied by: -

- i) Mr. Jacob Sisey – Director Corporate Support Services
- ii) Mr. Wycliffe Wasike- Deputy Director and Head of Finance
- iii) Ms. Elizabeth Mbatia- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of National Transport and Safety Authority, on 15th November 2023.

Audited Statements for Financial Year 2020/2021

7.1.1 Unreconciled Cash and Cash Equivalents

387) As disclosed in Note 16 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.155,693,271 as at 30 June, 2021. The balance includes an amount of Kshs.17,659,099 in respect of an operations account maintained at KCB Bank which was at variance with the cash book balance of Kshs.6,823,025. Further, the balance includes an unreconciled amount of Kshs.5,469,136.32 that has been carried forward since 2018.

388) Consequently, the accuracy of the cash and cash equivalents balance of Kshs.155,693,271 could not be confirmed.

Management Response

389) The Authority observes that reconciliation for the KCB Operations bank account was done except that there was a variance of Kshs. 5,469,136.32 which was brought forward from FY2017/18. The variance was a book entry occasioned by data entry during transition of the Authority's books of accounts from the manual system and processes to the automated processes under the ERP system. As at the time of audit for the FY2020/21, the matter was under further review by the Board and the same was concluded and balances reconciled in the subsequent year.

Committee Observation

390) The Committee noted multiple errors from the institution's books of accounts which creates a loophole for embezzlement of funds since no explanation or reconciliation has been made.

Committee Recommendation

391) The Committee reprimands the Head of Finance for the period under review for failure to adhere to Article 229(4) (h) of the Constitution of Kenya and section 81(4) (a) of the Public Finance Management Act 2012 read together with Regulation 90 of the PFM (National Government) Regulations 2015.

7.1.2 Unresolved Prior Year Matters

392) Various prior year issues remained unresolved as at 30 June, 2021 and were not disclosed under the progress on follow up of auditor's recommendations section of other information accompanying the financial statements as required by the Public Sector Accounting Standards Board.

Management Response

393) As at the time of reporting, the matters were under review by the PIC and the Authority was awaiting conclusion of the same. The conclusion of the same was subsequently provided as tabled by the PIC on 24th May 2022.

Committee Observation

394) The Committee observed that prior year matters had been resolved as the Auditor General was satisfied with the management responses having verified all the necessary documentations.

7.1.3 Obsolete Smart Driving License

395) As disclosed in Note 21 to the financial statements, the statement of financial position reflects a balance of Kshs.457,499,791 in respect of inventory. The inventory includes an amount of Kshs.450,387,367 in respect of specialized materials out of which Kshs.395,576,537 relates to smart driving licenses. Review of records relating to the smart driving licenses revealed that the Authority entered into a 3-year contract commencing on 8 March, 2017 with a local bank for the supply, delivery, installation and maintenance of Second-Generation smart card-based driving licenses and associated services at a contract sum of USD.21,094,282.41. Information available indicates that on 3 March, 2017, the bank entered into a subcontract with another firm for the supply, delivery, installation and maintenance of Second-Generation smart card-based driving license and associated services pursuant to the award of tender and execution of the contract between the Authority and the bank. However, the ownership of the printing technology for smart driving licenses and the role of the bank (main contractor) was not clearly spelt out in the contract. Further, under clause 9.0 of the sub-contract, the bank was required to pay the sub-contractor all amounts paid to it by the Authority under the main contract with no deductions whatsoever. The subcontracted firm was to supply 5,000,000 smart cards driving licenses by 31 December, 2019 to the bank as outlined under clause 6.20 (the firm's obligations) of the sub-contract. However, as at 30 June, 2021, a closing balance of 1,273,174 blank smart driving licenses cards were still at the Authority's Head Office stores. Included in the number of 1,273,174 are 296,000 blank smart cards valued at Kshs.91,108,800 that have been rendered obsolete due to changes in printing technology. It was not explained how value for money would be derived in the receipt and continued storage of obsolete stocks of blank smart driving license cards. According to the

agreement, the contract was originally supposed to run up to 8 March, 2020, with an extension of two years ending 8 March, 2022. The Authority Management has not justified the extension of the contract for two years and no evidence of contingency arrangements in place to ensure that service delivery is not disrupted in case the contract is discontinued.

Management Responses

396) Management observes that the Smart Driving License project is part of key Government transport sector reform initiative that commenced on 8th March 2017 with the aim of redefining the then driving license management cycle and improve efficiency in service delivery. Historically, the Government of Kenya was previously issuing a manual driving license inform of a “red book”. However, due to technological changes and critical security requirements, the Government was compelled to align the Kenyan driving license to conform to the provisions of the UN decade Action on Road Safety and International Standards, which included increasing security features and driver details.

397) In view of the above, the Government through this project anticipated to assist Kenya in achieving the UN Decade Action on Road Safety resolution which also required all East and Central African countries to ensure standardization of Drivers Licenses in the region by adopting Digital Card Smart Driving Licenses.

398) To this end, the Government of Kenya sanctioned the Supply, Delivery, Installation and Maintenance of Second Generation Smart-Card Driving License project in 2015 at a contract cost of USD 21,094,282 (Kshs. 2.1 Billion). The project was intended to curb insecurity and weed out criminal elements within the transport sector as well as align the driving license management to international standards. Moreover, the project was intended to instil discipline among drivers through the merit and demerit point system and limit road carnage and fatalities occasioned by unauthorized drivers.

Committee Observation

399) The Committee observed the commitments made by the institution for the utilisation of the delivered blank cards.

Committee Recommendation

400) The Accounting Officer should, within three (3) months of the adoption of this report, submit to the National Assembly a comprehensive status update on the supply, delivery, installation, and maintenance of the Second-Generation smart card driving licenses. The

report should detail how value for money will be achieved despite the continued storage of obsolete blank smart cards valued at Kshs.91,108,800, and outline measures taken to keep pace with technological advancements to prevent future obsolescence. Additionally, the Accounting Officer should provide a justification for the two-year contract extension and present contingency plans to ensure uninterrupted service delivery should the contract be discontinued.

7.1.4 Non- Maintenance of Retentions Register and Deposits Cash book

- 401) The statement of financial position reflects a balance of Kshs.29,202,557 in respect of retention payable which, as disclosed in Note 19 to the financial statements, represents funds held by the Authority on behalf of various service providers. However, the Authority did not maintain a retentions or deposits register and a deposits cash book during the year under review. This was contrary to Regulation 100 of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to keep in all offices concerned with receiving cash or making payments a cash book indicating the receipts and payments and to maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which they are responsible.
- 402) In the circumstances, the Authority was in breach of law.

Management Response

- 403) Management acknowledges the lack of a separate and distinct retention bank account opened and operated for amounts payable to contractors after defects liability period. This was initially premised on the understanding that there were very few contracts with components of retention. Most of such contracts were one-off transactions and retention was therefore processed through the main operations account.
- 404) Management, cognizant of the growing value of the retention fee has initiated the process of approval to open and operate a separate and distinct bank account for the Retention Payable. The Board approval has been obtained and engagement with The National Treasury for approval is in progress.
- 405) The final balance of the retention fee which was part of major contracts- entered during formation period of the Authority will be paid off in the current financial year.

Committee Observation

406) The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

7.1.5 Irregular Payment of Board Allowances

407) The statement of financial performance and the corresponding disclosure Note 15 to the financial statements reflects an amount of Kshs.21,178,452 in respect of Board expenses. The Board expenses include an amount of Kshs.145,600 irregularly paid to two Board Members in form of per diem for participating in three meetings that were held virtually. The Board expenses of Kshs.21,178,452 also includes an amount of Kshs.2,011,532 in respect of other allowances (travel and subsistence) out of which Kshs.579,660 relates to mileage claims paid to Board Members who used their cars when travelling to attend Board meetings. The Board Members used cars with the engine rating of more than 1800cc contrary to Clause C (3) of the Office of the President Circular No. OP/CAB.9/1A of 11 March, 2020 on Management of State Corporations that requires reimbursement of mileage claim to be capped at 1800cc engine capacity of a vehicle.

408) In the circumstances, the regularity of the sitting and mileage allowances totalling Kshs.725,260 paid to the Board Members could not be confirmed.

Management Response

409) Management notes that the payment of Kshs 72,800 paid to Mr. Francis Kiriinya Mwangi & Ms. Catherine Njeri Waweru respectively were for physically attended meetings. However, the meeting was a hybrid due to some members having been affected with Covid-19 compelling the members to isolate themselves at the last minute. This necessitated their participation virtually.

410) The two members of the Board had already travelled to Nairobi for the meeting and therefore the Authority had to cater for their Daily Subsistence allowance as provided for in the relevant Board remuneration provisions.

411) Management notes that with respect to payment of mileage, management processes payment of mileage to members of the Board based on Guidelines on benefits to members of the Board and supported by the details of the vehicles which they used to facilitate them attend the scheduled board meetings. The payments were processed based on the approved prevailing Automobile Association of Kenya (AAK) rates based the engine capacity of their vehicles.

Committee Observation

412) The Committee observed that there was irregular payment to board members of travel allowances above the stipulated rates as per the circular from the Office of the President.

Committee Recommendation

413) The Committee recommends that the Head of Finance for the period under review be reprimanded for the amounts irregularly paid.

7.1.6 Audit Committee and Internal Audit Function

414) Review of the Authority's internal audit function revealed that although there was an Audit Committee, there were no approved Audit Committee and Internal Audit Charters. In addition, there was no evidence that the internal audit work plan for the year under review had been approved by the Audit Committee.

415) In the circumstances, risk management processes and governance checks might not have been adequately addressed in absence of the approved charters.

Management Response

416) The Audit Committee Charter was approved. The Internal Audit Department Charter is being reviewed by Audit committee and shall be approved in subsequent meetings. The delay in approval was occasioned by the changes in the board membership twice during the last financial year.

417) Every year on or before 15th February, Annual audit work plan is approved by the Audit Committee.

Committee Observation

418) The Committee observed that the institution was operating with an unapproved Audit Committee Charter.

Committee Recommendation

419) The Committee recommends that the institution henceforth abides by the law and to ensure adherence to the requisite PFM Act.

Audited Statements for Financial Year 2021/2022

7.1.7 Non-Maintenance of Retentions Payable Bank Account

420) As disclosed in Note 18(ii) of the financial statements, the statement of financial position reflects Kshs.44,533,933 in respect of retentions payable. However, Management did not maintain a separate bank account to cater for payment of retentions at the end of the defects-liability period.

421) In the circumstances, the contractual obligations on the payable amount of Kshs.44,533,933 could not be confirmed.

Management Response

422) Management acknowledges the lack of a separate and distinct retention bank account opened and operated for amounts payable to contractors after defects liability period. This was initially premised on the understanding that there were very few contracts with components of retention. Most of such contracts were one-off transactions and retention was therefore processed through the main operations account.

423) Management, cognizant of the growing value of the retention fee has initiated the process of approval to open and operate a separate and distinct bank account for the Retention Payable. The Board approval has been obtained and engagement with The National Treasury for approval is in progress.

Committee Observation

424) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

7.1.8 Unexplained Reduction in E-Sticker Fees

425) Note 7 (i) to the financial statements show that there was a notable decrease in revenue from sale of sticker from Kshs.112,666,100 collected in the year 2020/2021 to Kshs.56,232,450 collected in 2021/2022 representing 50% decrease. Although Management has explained that there was a possibility that some of the revenue earned may have been remitted to the exchequer account instead of the Authority's account and that the Management has escalated the matter to The National Treasury for further analysis and ascertainment of the actual amount involved, no evidence has been provided to show that there was communication between the Authority and The National Treasury or explanation relating to the drop in revenue.

426) In the circumstances, the accuracy and completeness of E-sticker fees amounting to Kshs.56,232,450 could not be confirmed.

Management Response

427) Management notes that indeed there was decline in revenues from the E-sticker stream during the year which was partly due to collections inadvertently remitted to the

exchequer account in addition to the diminishing collection on PSV and commercial vehicles through motor vehicle inspection services.

428) Management wishes to confirm that there was indeed correspondence between the Authority and The National Treasury which resulted in a joint reconciliation exercise between NTSA and The National Treasury to establish the correct value. As a result, a reconciled figure amounting to Kshs. 35,096,720 was remitted to NTSA.

Committee Observation

429) The Committee observed that the matter had been resolved as the Auditor General was satisfied with the management responses having verified all the necessary documentations.

7.1.9 Unresolved Prior Year Matters

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

Management Response

431) As at the time of reporting, some of the matters were under review by the PIC and the Authority was awaiting conclusion of the same. The conclusion of the same was subsequently provided as tabled by the PIC on 24th May 2022.

Committee Observation

432) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

7.1.10 Audit Committee and Internal Audit Function

433) As reported in the previous year, the Authority does not have an approved internal audit charter despite existence of an Audit Committee of the Board and a functional Internal Audit unit. Although the Internal Audit Charter together with Audit Committee Charter, Internal Audit Manual and Standard Operating Procedures were presented to the Audit Committee through MIN.229/NTSAAC/2022 for review and onward approval, the same were not approved.

434) In the circumstances, risk management processes and governance checks might not have been adequately addressed during the year.

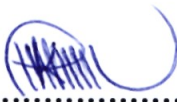
Management Response

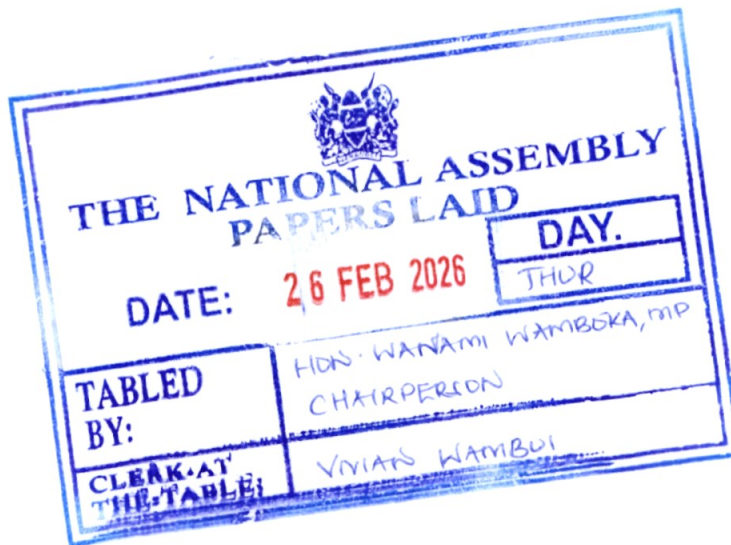
435) The Audit Committee Charter was approved. The Internal Audit Department Charter is being reviewed by Audit committee and shall be approved in subsequent meetings. The delay in approval was occasioned by the changes in the board membership twice during the last financial year.

436) Every year on or before 15th February, Annual audit work plan is approved by the Audit Committee.

Committee Observation

437) The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

SIGNED.......... DATE.....^{25TH} FEB 2026
HON. WANAMI WAMBOKA, M.P.
CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION



THE NATIONAL ASSEMBLY

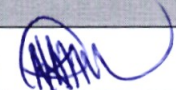



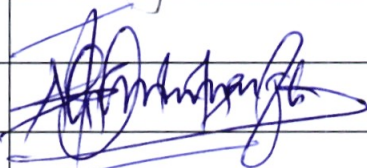
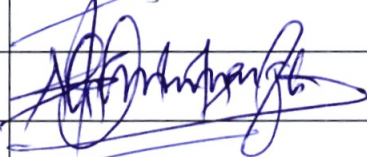

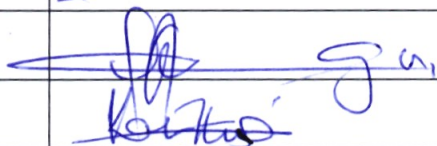

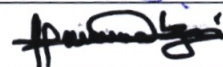


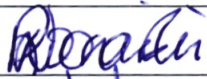


13TH PARLIAMENT – FIFTH SESSION (2026)

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

DATE

AGENDA: _____

	HON. MEMBER	SIGNATURE
1.	Hon. Wanami Wamboka, CBS, MP- Chairperson	
2.	Hon. Mark Muriithi Mwenje, CBS, MP	
3.	Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP	
4.	Hon. Moses Kirima Nguchine, MP	
5.	Hon. Wamacukuru Githua Kamau, CBS, MP	
6.	Hon. Alfa Ondieki Miruka, CBS, MP	
7.	Hon. Bonaya Mumina Gollo, MP	
8.	Hon. Chiforomodo Mangale Munga, MP	
9.	Hon. Daniel Karitho Kiili, M.P	
10.	Hon. Francis Sigei Kipyegon, EBS, MP	
11.	Hon. Joseph Tonui Kipkosgei, MP	
12.	Hon. Maurice Kakai, Bisau, MP	
13.	Hon. Rebecca Tonkei Noonaiishi, MP	
14.	Hon. Thuddeus Nzambia Kithua, MP	
15.	Hon. Ong'ondo, Boyd Were, MP	

MINUTES OF THE 10TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 25TH, FEBRUARY 2026 COMMITTEE ROOM 26 5TH FLOOR BUNGE TOWER AT 10:00 AM

PRESENT

1. **Hon. Wanami Wamboka, CBS, MP** - **Chairperson**
2. Hon. Alfa Ondieki Miruka, CBS, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Moses Kirima Nguchine, MP
5. Hon. Daniel Karitho Kiili, MP
6. Hon. Rebecca Tonkei Noonaiishi, MP
7. Hon. Joseph Tonui Kipkosgei, MP
8. Hon. Chiforomodo Mangale Munga, MP
9. Hon. Thuddeus Nzambia Kithua, MP

APOLOGIES.

1. Hon. Mark Muriithi Mwenje, CBS, MP
2. Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP
3. Hon. Bonaya Mumina Gollo, MP
4. Hon. Maurice Kakai Bisau, MP
5. Hon. Wamacukuru Githua Kamau, CBS, MP

IN ATTENDANCE

COMMITTEE SECRETARIAT

1. Ms. Ruth Mwihaki - Clerk Assistant I
2. Ms. Winny Awino - Clerk Assistant III
3. Mr. Enock Manwa - Clerk Assistant III
4. Ms. Noel Amutabi - Legal Counsel II
5. Mr. Stephen Otieno - Sergeant at Arms
6. Mr. Derrick Kathurima - Media Relations Officer
7. Mr. Peter Muthethia - Audio Recording Officer
8. Ms. Mary Kamande - Protocol

OFFICE OF THE AUDITOR GENERAL

1. Mr. Felix Itonge - Principal Auditor/Liaison Officer

MIN.NO.NA/DAAGPC/PIC-G&E/2026/034: PRELIMINARIES

The Chairperson called the meeting to order at 10:20am followed by a word of prayer from the Chairperson : thereafter a round of introduction. The agenda was confirmed as listed hereunder on the proposal of Hon. Daniel Kari Kiili, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 1. Adoption of the Agenda;
 2. Confirmation of minutes of previous sittings and matters Arising
3. **Consideration of the Committee report on the examination of the reports of the Auditor General on financial statements of state corporation on (Western, Rift Valley Regions, State Corpora and Egerton University Financial Year 2016/2017-2022/2023.)**

4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAGPC/PIC-G& E/2026/035: CONFIRMATION OF MINUTES

Confirmation of the Minutes of the previous meeting was deferred to the next sitting.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/036: CONSIDERATION OF THE FIFTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION ON (WESTERN REGION)

The Committee considered and adopted the fifth Report, having been proposed by the Hon. (Amb.) Sigei Frar Kipyegon, EBS, MP and Seconded by Hon. Rebecca Tonkei Noonaihi, MP

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2020/21 for the following agencies from Western Region.

1. Kibabii university
2. Kitale National Polytechnic
3. Musakasa Technical Training Institute
4. Wanga Technical and Vocational College
5. St. Augustine Teachers Training College
6. Alupe University College
7. Bunyala Technical and Vocational College
8. Sirisia Technical and Vocational College
9. Sigalagala National Polytechnic
10. St. Paul's Kibabii Diploma Teachers' Training College
11. Kiminini Technical and Vocational College
12. Chanzeywe Technical and Vocational College
13. Webuye West Technical and Vocational College
14. Ebukanga Technical and Vocational College
15. Sabatia Technical and Vocational College
16. Okame Technical and Vocational College
17. Bungoma North Technical and Vocational College
18. Bungoma National Polytechnic
19. Kisiwa Technical Training Institute
20. Bumbe Technical Training Institute
21. Navakholo Technical and Vocational College
22. Mumias West Technical and Vocational College
23. Matili Technical Training Institute
24. Shamberere Technical Training Institute
25. Masinde Muliro University of Science and Technology
26. Bushiangala Technical Training Institute

The Committee made the following recommendations on the report;

In consideration of reports of various state agencies, 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. Understaffing in the TVET institutions

The Committee observed that the majority of institutions in the region are TVETs and are significantly understaffed. Many of the issues in the financial statements stem from the fact that these institutions lack essential personnel in critical departments such as finance. In some cases, the situation is so severe that institutions rely on interns to prepare their financial statements, which is contrary to the **Accountants Act, Cap.531**. This Act establishes the **Institute of Certified Public Accountants of Kenya (ICPAK)** as the regulatory body overseeing the profession. According to ICPAK regulations and guidelines, financial statements, particularly those that are audited, must be signed by a **Certified Public Accountant (CPA)** who is a member in good standing with the Institute.

The Committee recommended Government should allocate adequate resources to enable TVET institutions to recruit and retain qualified personnel. Furthermore, institutions must adhere to the Accountants Act, Cap.531, by hiring Certified Public Accountants (CPAs) to oversee financial reporting. To enhance financial reporting standards, the Ministry of Education and ICPAK should establish capacity-building programs and financial management training for existing staff.

2. Poor accounting standards and the general incapacity of some accounting officers

The Committee observed that, due to a lack of prior exposure to the audit process and subsequent parliamentary review, some accounting officers were either unaware of or failed to comply with various provisions of the **Public Finance Management (PFM) Act, Cap.412A** and the **Public Audit Act, Cap.412B**. Audit queries dating back to **FY 2018/19** remained unaddressed by certain agencies, which only took action after being summoned by the Committee.

To address these issues, the **National Treasury** and the **Office of the Auditor-General** should continue conducting annual sensitization and capacity-building programs for all accounting officers and finance staff in **State Corporations**, to ensure compliance with audit requirements and adherence to **International Public Sector Accounting Standards (IPSAS)**.

3. Late submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The

Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

Moreover, the Committee exercised a degree of leniency towards certain institutions by affording them an opportunity to submit supporting documentation that remained in their possession but had not been presented to the Office of the Auditor General, even after the conclusion of the audit cycle. However, these institutions failed to comply with the committee's directive.

4. Unsecured/ untitled land holdings

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

The Ministry of Lands, and the relevant government agencies, should fast-track the titling and registration of all institutional land holdings to ensure legal ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment.

The Government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

5. Failure to adhere to gender, ethnicity and regional balance

Some institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from Accounting Officers that the lack of diversity was prevalent in the lower cadres, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable.

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap, 7N. in two (2) years. Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/037: CONSIDERATION OF THE SEVENTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION IN NAIROBI REGION FOR THE FINANCIAL YEARS 2018/19, 2019/20, & 2020/21.

The Committee considered and adopted the Tenth Report, having been proposed by the Hon. Thuddeus Nzambia Kithua, MP and Seconded by Hon. Joseph Tonui Kipkosgei, MP. The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for the following agencies Kenya

1. Law Reforms Commission (KLRC)
2. Kenya Copyright Board
3. National Cohesion and Integration Commission (NCIC)
4. Business Registration Service
5. Nairobi Centre For International Arbitration (NCIA)
6. Kenya Accreditation Service
7. National Transport and Safety Authority

The Committee made the following recommendations on the Report.

In consideration of reports of various state agencies, 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. Understaffing

The Committee observed that most institutions across the country are significantly understaffed. For instance, the Kenya Law Reform Commission has only 65 employees against an approved staff establishment of 240, resulting in a shortfall of 175 personnel. Similarly, the Kenya Copyright Board operates with 45 employees out of an approved 119, leaving a gap of 74 staff members. These staffing deficits severely hinder the institutions' capacity to deliver services effectively.

To address the significant staffing gaps undermining institutional performance, the government should implement a phased and well-coordinated strategy that prioritizes accelerated recruitment for critical roles, establishes medium-term workforce plans aligned with evolving mandates, and provides adequate budgetary allocations to support sustained hiring and retention. This should be complemented by targeted capacity-building initiatives, including training and digital modernization, to enhance operational efficiency, alongside the creation of a clear monitoring framework to track progress and ensure accountability in restoring institutions to optimal staffing levels.

2. Failure to adhere to gender, ethnicity and regional balance

The Committee observed that some institutions exhibited a skewed ethnic diversity within their staff complement, particularly at the senior management level. These reports raise concerns regarding the underrepresentation of certain ethnic groups, potential discriminatory practices in recruitment and promotion, and broader issues related to fairness in employment processes. Notably, the composition of the Kenya Copyright Board reflects gender imbalance, with only one female among its nine members.

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap, 7N. Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in

these state-owned enterprises, to confirm incremental address of the matter. The Committee further recommends that institutions take deliberate and proactive measures to include Persons with Disabilities (PWDs) in their workforce, in accordance with the provisions of the Constitution.

3. Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

4. Unsecured/untitled land holdings

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

The Committee recommends that the Accounting Officers for the affected institutions make deliberate efforts to obtain ownership documents for untitled land holdings in consultation with the relevant Parent Ministry and Ministry of Lands and ensure that the land holding which they have ownership documents are secured.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/038: CONSIDERATION OF THE NINTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION ON RIFTVALLEY REGION FOR THE FINANCIAL YEARS 2018/19, 2019/20, 2020/21, 2021/2022, 2022/2023 &2023/2024.

The Committee considered and adopted the seventh Report, having been proposed by the Hon. Chiforomodo Mangale Munga, MP and Seconded by Hon. Daniel Karitho Kiili, MP

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for the following agencies from Rift Valley region

Aldai Technical Training Institute

1. Turbo Technical and Vocational College
2. Baringo National Polytechnic
3. Narok West Technical Training Institute
4. Naivasha Technical and Vocational College
5. University of Eldoret
6. Ol'lessos Technical Training Institute.
7. Kajiado West Technical and Vocational College

8. Rift Valley Institute of Science and Technology
9. Eldoret National Polytechnic
10. Bomet University College
11. University of Kabianga
12. Moiben Technical and Vocational College
13. Bureti National Polytechnic Rift Valley Technical Training Institute.

The Committee made the following recommendations on the Report.

In consideration of reports of various state agencies, 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. Understaffing in the TVET institutions

The committee observed that the majority of institutions in the region are TVETs and are significantly understaffed. Many of the issues in the financial statements stem from the fact that these institutions lack essential personnel in critical departments such as finance. In some cases, the situation is so severe that institutions rely on interns to prepare their financial statements, which is contrary to the **Accountants Act, Cap. 531**. This Act establishes the **Institute of Certified Public Accountants of Kenya (ICPAK)** as the regulatory body overseeing the profession. According to ICPAK regulations and guidelines, financial statements, particularly those that are audited, must be signed by a **Certified Public Accountant (CPA)** who is a member in good standing with the Institute.

The government should allocate adequate resources to enable TVET institutions to recruit and retain qualified personnel. Furthermore, institutions must adhere to the Accountants Act, Cap. 531, by hiring Certified Public Accountants (CPAs) to oversee financial reporting. To enhance financial reporting standards, the Ministry of Education and ICPAK should establish capacity-building programs and financial management training for existing staff.

2. Poor accounting standards and the general incapacity of some accounting officers

The Committee observed that, due to a lack of prior exposure to the audit process and subsequent parliamentary review, some accounting officers were either unaware of or failed to comply with various provisions of the **Public Finance Management (PFM) Act, Cap. 412A** and the **Public Audit Act, Cap.412**. Audit queries dating back to **FY 2018/19** remained unaddressed by certain agencies, which only took action after being summoned by the Committee.

To address these issues, the **National Treasury** and the **Office of the Auditor-General** should continue conducting annual sensitization and capacity-building programs for all accounting officers and finance staff in **State Corporations**, to ensure compliance with audit requirements and adherence to **International Public Sector Accounting Standards (IPSAS)**.

3. Late submission of supporting documentation

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

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

Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

- ii. Moreover, the Committee exercised a degree of leniency towards certain institutions by affording them an opportunity to submit supporting documentation that remained in their possession but had not been presented to the Office of the Auditor General, even after the conclusion of the audit cycle. However, these institutions failed to comply with the committee's directive.

4. Unsecured/ untitled land holdings

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

The Ministry of Lands, and the relevant government agencies, should fast-track the titling and registration of all institutional land holdings to ensure legal ownership and security. Institutions should conduct land audits and maintain an updated asset register of their land to facilitate accountability and protection against encroachment.

The government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

5. Failure to adhere to gender, ethnicity and regional balance

Some institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from Accounting Officers that the lack of diversity was prevalent in the lower cadres, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable.

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

MIN.NO. NA/DAAGPC/PIC-G&E/2026/039: CONSIDERATION OF THE TENTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF EGERTON UNIVERSITY FOR THE FINANCIAL YEARS 2018/19, 2019/20, 2020/21, 2021/2022, 2022/2023 &2023/2024.

The Committee considered and adopted the ninth Report, having been proposed by the Hon. Joseph Tonui Kipkosgei, MP and Seconded by the Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP.

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for Egerton University. In its examination of the financial and audit reports of Egerton University covering the six (6) financial years up to and including the 2023/2024 Financial Year, the Committee reviewed a total of ninety-five (95) audit queries raised by the Auditor General. Of these, seventeen (17) had been fully resolved, forty-eight (48) were recurring, and thirty (30) remained unresolved. The Committee did not issue additional recommendations with respect to matters already resolved. For the recurring issues, the Committee reiterates the observations and recommendations made in previous financial years. Regarding the unresolved queries, the Committee has set out detailed observations and recommendations within the relevant sections of this report.

In relation to the cross-cutting and persistent audit concerns identified, the Committee highlights the following six (6) issues on which it makes general observations and recommendations:

a) Going Concern and Financial Deficits

In all the 6 FYs covered, the University has faced persistent going concern challenges and recurring deficits. These trends raise significant doubts about the entity's ability to sustain operations and meet its obligations. The lack of disclosure of material uncertainty related to going concern further compounds the risk, as stakeholders may not have a clear picture of the financial health of the institution.

The Committee recommends that Management should, within 60 days, prepare and submit a formal Going-Concern Recovery Plan that includes specific cost-cutting measures, revenue enhancement strategies, debt restructuring actions, and clear implementation timelines. In addition, Management must consistently disclose any material going concern uncertainties in the notes to the financial statements in compliance with IPSAS 1. To ensure sustainability, the Ministry of Education and National Treasury should jointly conduct a financial sustainability assessment and provide policy guidance to support the University's recovery.

b) Receivables Management

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

The Committee recommends that Egerton University Management should implement stringent credit control policies and leveraging technology for automated billing and collection. Moreover, the Council should approve the write-off of irrecoverable student debts.

c) Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

d) Unremitted Statutory Deductions and Payables

The recurring failure to remit statutory deductions and settle payables, observed in multiple FYs exposes the University to significant compliance risks and potential penalties. Non-remittance of statutory obligations not only attracts legal consequences but also damages the entity's reputation and credibility with regulators and employees. This issue reflects poor financial discipline and inadequate internal controls, necessitating immediate corrective measures to ensure timely compliance and avoid litigation.

The Committee recommends that: -

- (i) The University to develop and implement a phased plan to remit all outstanding statutory deductions to relevant authorities.
- (ii) Ensure all future deductions are remitted promptly and supported by detailed schedules and adhere strictly to Income Tax Act Section 37(1) and other statutory requirements.
- (iii) Hold responsible officers accountable for non-compliance.

e) Stalled Projects

Stalled projects have been a recurring concern from across the 6 FYs, signaling inefficiencies in project planning, execution, and monitoring. These delays not only result in cost overruns but also hinder the achievement of strategic objectives and service delivery. The lack of timely decision-making and inadequate resource allocation appear to be key contributing factors.

The Committee recommends that: -

- (i) Special audit taking stock of their values, completion status and the legality to be done for the stalled projects in three months upon adoption of this report by the House and submit a report to the committee.
- (ii) Management to develop and implement a comprehensive project completion strategy that prioritizes stalled projects based on criticality and available resources. This can be achieved through a formal request of supplementary capital development funding from the National Treasury through the Ministry of Education, accompanied by audit findings and a prioritized project completion plan.
- (iii) Clear with the pending projects before undertaking any new project.

f) Irregular Use of University Land by Undisclosed Private Investors

The Committee notes that the process surrounding the allocation and use of a substantial portion of Egerton University land (2,000 acres) for purposes related to the Presidential Directive on National Food Security was marked by significant procedural, governance, and

compliance shortcomings that disadvantaged the University and exposed it to a risk of losing their land to illegal parties.

The Committee recommends that management immediately regularize the use of the land by obtaining requisite approvals from the National Land Commission and the National Treasury and ensure that any engagement with private entities is formalized through legally binding lease agreements. Otherwise, the Accounting Officer should have full proper and full control of the land pursuant to Regulation 139 of the PFM (NG) Regulations, 2015 by implementing strict access controls and monitoring mechanisms, including CCTV surveillance and periodic audits, to prevent unauthorized occupation. A comprehensive compliance report should be submitted to the Committee within 3 months upon the adoption of this report by the House.

MIN.NO. NA/DAAGPC/PIC-G & E/2026/040: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 13:25hrs. The next meeting will be on notice.

SIGNED:  DATE: 25TH FEB 2026 ,

Hon. Wanami Wamboka, CBS. MP (CHAIRPERSON)