THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 31 MAR 2026
DAY. TUE
TABLED BY: HON. MARK MWENJE, MP
MEMBER
CLERK-AT THE-TABLE: V. KAMBUI

Approved
SNA
31/3/26

PARLIAMENT OF KENYA LIBRARY

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT- FIFTH SESSION

THE NATIONAL ASSEMBLY

THE EIGHTH REPORT OF THE

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

***

ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE

FINANCIAL STATEMENTS OF INSTITUTIONS OF HIGHER LEARNING (EASTERN REGION) FOR THE FINANCIAL YEARS 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024

NATIONAL ASSEMBLY
RECEIVED
31 MAR 2026
SPEAKER'S OFFICE
P.O. Box 41842-00100 NAIROBI

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

MARCH 2026

TABLE OF CONTENTS

TABLE OF CONTENTS ..... **ii**

LIST OF ABBREVIATIONS/ACRONYMS ..... **vi**

EXECUTIVE SUMMARY ..... **ix**

1.0 PREFACE ..... **x**

1.1 Establishment and Mandate of the Committee ..... **x**

1.2 Committee Membership xii

1.2 Committee Secretariat ..... **xiii**

1.3 Committee proceedings ..... **xiv**

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS ..... **xv**

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INSTITUTIONS OF HIGHER LEARNING (EASTERN REGION)... 19

3.0 NACHU TECHNICAL AND VOCATIONAL COLLEGE 19

3.1 Audited statements for Financial Year 2022/2023 19

3.2 Audited statements for Financial Year 2023/2024 ..... **26**

4.0 WOTE TECHNICAL TRAINING INSTITUTE 33

4.1 Audited statements for Financial Year 2018/2019 33

4.2 Audited statements for Financial Year 2019/2020 44

4.3 Audited statements for Financial Year 2020/2021 53

5.0 MERU NATIONAL POLYTECHNIC 53

5.1 Audited statements for Financial Year 2018/2019 53

5.2 Audited statements for Financial Year 2019/2020 58

5.3 Audited statements for Financial Year 2020/2021 63

6.0 CHUKA TECHNICAL AND VOCATIONAL COLLEGE 66

6.1 Audited statements for Financial Year 2021/2022 66

6.2 Audited Statements for Financial Year 2022/2023- (Qualified Opinion) 74

7.0 KAELO TECHNICAL TRAINING INSTITUTE 79

7.1 Audited statements for Financial Year 2020/2021 79

8.0 TIGANIA EAST TECHNICAL AND VOCATIONAL COLLEGE 83
8.1 Audited statements for Financial Year 2020/2021 83
9.0 THARAKA UNIVERSITY COLLEGE 86
9.1 Audited statements for Financial Year 2018/2019 86
9.2 Audited statements for Financial Year 2019/2020 86
9.3 Audited statements for Financial Year 2020/2021 88
10.0 NKABUNE TECHNICAL TRAINING INSTITUTE 88
10.1 Audited statement for the Financial Year 2018/19 88
10.2 Audited statement for the Financial Year 2019/2020 98
10.3 Audited statement for Financial Year 2020/2021 106
10.4 Audited statement for the Financial Year 2021/22 114
11.0 KATINE TECHNICAL AND VOCATIONAL COLLEGE 118
11.1 Audited statements for Financial Year 2018/2019 118
11.2 Audited statements for Financial Year 2019/2020 127
11.3 Audited statements for Financial Year 2020/2021 136
11.4 Audited statements for Financial Year 2021/2022 139
11.5 Audited statements for Financial Year 2022/2023 142
11.6 Audited statements for Financial Year 2023/2024 146
12.0 KIIRUA TECHNICAL TRAINING INSTITUTE 149
12.1 Audited statements for Financial Year 2021/2022 149
12.2 Audited statements for Financial Year 2022/2023 154
12.3 Audited statements for Financial Year 2023/2024 156
13.0 KARUMO TECHNICAL TRAINING INSTITUTE 158
13.1 Audited Statements for the Financial Year 2018/19 158
13.2 Audited Statement for the Financial Year 2019/2020 176
13.3 Audited Statement for the Financial Year 2020/21 183

13.4 Audited Statements for the Financial Year 2022/23 191
13.5 Audited statement for the Financial Year 2023/2024 198
14.0 MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND 201
14.1 Audited statement for the Financial Year 2018/19 201
14.2 Audited statement for the Financial Year 2019/2020 213
14.3 Audited statement for the Financial Year 2021/22 250
15.0 MUKIRIA TECHNICAL TRAINING INSTITUTE 256
15.1 Audited statements for Financial Year 2019/2020 256
15.2 Audited statements for Financial Year 2019/2020 264
15.3 Audited statements for Financial Year 2020/2021 272
15.4 Audited statements for Financial Year 2021/22 283
15.5 Audited statements for Financial Year 2022/2023 297
15.6 Audited statements for the Financial Year 2023/24 299
16.0 CHUKA UNIVERSITY 307
16.1 Audited Statements for Financial Year 2018/2019 (Qualified Opinion) 307
16.2 Audited Statements for Financial Year 2019/2020 311
16.3 Audited Statements for Financial Year 2020/2021(Unqualified Opinion) 314
17.0 EMBU UNIVERSITY 314
17.1 Audited Statements for Financial Year 2018/2019 (Unqualified Opinion) 315
17.2 Audited Statements for Financial Year 2019/2020 (Unqualified Opinion) 319
17.3 Audited Statements for Financial Year 2020/2021 (Qualified Opinion) 321
18.0 MACHAKOS UNIVERSITY 330
18.1 Audited Statements for Financial Year 2018/2019 330
18.2 Audited Statements for Financial Year 2019/2020 334
18.3 Audited Statements for Financial Year 2020/2021 338
19.0 MITUNGUU TECHNICAL TRAINING INSTITUTE 341

19.1 Audited Statements for Financial Year 2018/2019 342
19.2 Audited Statements for Financial Year 2019/2020 346
19.3 Audited Statements for Financial Year 2020/2021 356
20.0 SOUTH EASTERN KENYA UNIVERSITY 356
20.1 Audited Statements for Financial Year 2018/2019 356
20.2 Audited Statements for Financial Year 2019/2020 359
20.3 Audited Statements for Financial Year 2019/2021 363

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
PPAD	-	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 six 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 eighth from the Committee and covers agencies within the Eastern region.

In examining the accounts of the Auditor General, the Committee invited accounting officers in each of the institutions 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 eighteen (18) state corporations for six (6) financial years running some running up to the latest, 2023/24 FY. The report is structured as follows:

i) general observations arising from recurring and cross-cutting audit queries;

ii) recommendations to each of the above;

iii) audit queries identified by the Auditor General in the audit reports of each state corporation;

iv) management responses to each of the queries;

v) Committee Observation/ findings on each query; and

vi) recommendations of The Committee to each query raised.

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

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to enable it to perform its mandate. The Committee further extends its appreciation to the Office of the Auditor-General for the services it offered to 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 9th Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for thirteen (13) State Corporations.

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

EXECUTIVE SUMMARY

The 8th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee 's examination of audited financial statements of eighteen (18) 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.

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

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

i. examine the reports and accounts of the public investments;

ii. examine the reports, if any, of the Auditor-General on the public investments; and

iii. examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

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

a. Chapter Twelve of the Constitution on Public Finance
Part I-Principles of Public Finance

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

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

Part 6-Control of Public Money

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

- the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article **226(2));** and

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

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

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

- **Section 68(1)** sets out the responsibilities of accounting officers for national government entities, the Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a lawful, authorized, effective, efficient, economical and transparent manner.
- **Section 72** focuses on the accounting officers' responsibility to manage the assets and liabilities of national government entities.

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

(i) the Parliamentary Powers and Privileges Act, Cap. 6;

(ii) the Public Finance Management (National Government) Regulations, 2015;

(iii) the Public Procurement and Asset Disposal Act, Cap.412C;

(iv) the Public Procurement and Asset Disposal Regulations, 2020;

(v) the State Corporations Act, Cap.446;

(vi) the Public Audit Act, Cap.412B;

(vii) The Fair Administrative Action Act, Cap. 7L;

(viii) the Accountants Act, Cap.531; and

(ix) the National Assembly Standing Orders

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, CBS, MP.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon Boyd Were Ong'ondo, MP
Kasipul
ODM Party

The Hon Alfa Miruka, CBS, MP
Bomachoge Chache Constituency
UDA Party

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

The Hon. Bonaya Gollo, MP
Isiolo County
Jubilee Party

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

The Hon. Shadrack Mwiti, MP.
Imenti South Constituency
Jubilee Party

The Hon. Thuddeus Nzambia, MP.
Kilome Constituency
WDM Party

The Hon. Moses Kirima, MP
Imenti Central Constituency
UDA Party

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

The Hon. Daniel Karitho, MP
Igembe Central Constituency
Jubilee Party

The Hon. Maurice K. Bisau, MP.
Kiminini Constituency
DAP-K Party

The Hon. Chiforomodo Munga, MP
Lungalunga Constituency
UDM Party

The Hon. Rebecca Tonkei, MP.
Narok County
UDA Party

The Hon. Joseph Tonui, MP
Kuresoi South Constituency
UDA Party

1.2 Committee Secretariat

2. The secretariat facilitating the Committee comprises the following technical staff

Ms. Ruth M. Gakuya
Clerk Assistant I/ Lead Clerk

Ms. Winny Otieno
Clerk Assistant III

Mr. Enock Manwa
Clerk Assistant III

Ms. Eunice Liavuli
Research Officer III

Ms. Noel Amutabi
Legal Counsel II

Ms. Geogina Okoth
Research Officer

Mr. Machuki Mwebi
Fiscal Analyst II

Mr. Derick Kathurima
Media Relations Officer

Ms. Mary Kamande
Public Communications Officer III

Mr. Stephen Otieno
Sergeant at Arms

Peter Muthethia
Audio Officer

1.3 Committee proceedings

3. To produce this report, the Committee held thirty-two (32) in which it examined the audited financial statements of eighteen (18) State Corporations and the accompanying Reports by the Auditor-General.

4. 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.

5. 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.

6. 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

7. 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 Poor accounting standards and general incapacity of some accounting officers

8. The Committee found that due to previous lack of exposure to the audit process culminating in parliamentary review, some accounting officers were ignorant of/ or non-compliant with the various provisions of the PFM Act, 2012 and Public Audit Act, 2015 Audit queries spanning as far back as FY 2018/19 remained unresponded to by some agencies who were only bumped to action once invited by the Committee.

The Committee recommends that the National Treasury and the Office of the Auditor-General conducts annual sensitization and capacity building for all accounting officers and finance staff in State Corporations on their responsibilities during the audit cycle and adherence to IPSAS.

2.2 Late submission of supporting documentation

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

The Committee recommends that the accounting officer must at all times ensure that he/she provides accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, 2015.

2.3 Unsecured/ untitled land holdings

10. The Committee also observed cases where land held by various institutions were not secured and titled accordingly. This led to encroachment in some cases, with the potential of eventual

forfeiture or loss.

The Committee recommends that the National Land Commission as entrenched under Article 67 and the relevant ministries Ministry of Lands, Public Works, Housing and Urban Development conjointly with County Governments as elucidated under Paragraph 8 (b) and (c) of Part 2 of the fourth schedule of the Constitution, immediately ensures that all State Corporations secure titles to all their parcels of land. These institutions and the National Treasury must also prioritize fencing off of all land holdings to forestall further encroachment. The Committee further recommends that encroachers face the full extent of the law, and are evicted and charged in court.

2.4 Failure to adhere to ethnicity, regional balance and other considerations in staffing

11. A number of institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This is a contravention of the provisions of Section 7 of the National Cohesion and Integration Act (NCIC) Act, No 12 of 2008, the Constitution under Article 10(2)(b), 27(4) and 232 (1) (I)(ii). 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.

i. ***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, No. 12 of 2008.***

ii. ***The Committee also recommends amending the TVET Act 2013 to grant these institutions the authority to engage with the Public Service Commission during the hiring process for the 50 percent allocated to the board of governance***

iii. ***Further, the Committee recommends that 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.***

2.5 Understaffing in TVET Institutions

12. Technical and Vocational colleges nationwide are facing a shortage of both teaching and non-teaching staff. The ideal trainer-to-trainee ratio, as recommended by the World Bank, is 1:25, while the Ministry of Education recommends a ratio of 1:30. Unfortunately, in certain instances, the ratio in some courses has reached as high as 1:130. This situation significantly impacts the quality of education and training offered to students.

13. The Committee also noted an inequitable allocation of resources in TVETs, with some regions having well-equipped institutions while others have dire situations with limited to deteriorating facilities.

    i. ***The Committee recommends that the Government halts the establishment of new TVETs until the existing ones are adequately equipped and upscaled.***

    ii. ***To address the disparities in resource allocation, the Committee further recommends that the sector working group targets neglected regions in order to close the resource distribution gap.***

    iii. ***The Committee also recommends that the sector working group gives priority to the TVET sector during resource allocation. They propose an increased allocation of resources to address the longstanding issue of underfunding that has hindered the growth and development of these institutions. Adequate funding would not only enable the enhancement of infrastructure and but also attract and retain highly qualified instructors, further elevating the quality of education provided.***

2.6 Delay of disbursements of capitation to the Institutions

14. The Committee duly noted that the failure of National Treasury to disburse funds to institutions on time was a cross-cutting issue that emerged during the audit issues. The Committee duly noted that public universities and Technical and Vocational Education and Training (TVET) institutions are struggling due to chronic underfunding, accumulating debts that are stifling the growth of the said institutions and delayed disbursement of capitation funds. The various Accounting Officers gave an account of the numerous challenges that have been on an upsurge due to the underfunding resulting from the delay in disbursements.

These issues have created a vicious cycle where diminished resources lead to poor quality, which in turn reduces revenue, threatening the long-term sustainability of these institutions.

i. ***The Committee recommends that the Ministry of Education intervenes in the financial status of learning institutions by supplementing their income revenue and work in conjunction with the National Treasury and oversee that the funds are disbursed to institutions without undue delay.***

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

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF INSTITUTIONS OF HIGHER LEARNING (EASTERN REGION)

3.0 NACHU TECHNICAL AND VOCATIONAL COLLEGE

15. Ms. Magdaline Mwachofu, Principal, accompanied by;
    i. Mr. David Kimani- Deputy Principal
    ii. Mr. Dennis Mwanza-Accounts Clerk
    iii. Ms. Joan Salome Mumbi- Procurement Officer
    iv. Mr. Bidan Macharia- Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Nachu Technical and Vocational College, on 1st July 2025.

3.1 Audited statements for Financial Year 2022/2023

3.1.1 Inaccuracies in the Financial Statement

16. The statement of financial position reflects property, plant and equipment balance of Ksh.46,634,553 which includes acquisition of assets totaling Kshs.29,000. However, the amount was not recognized in the statement of cash flows under investment activities.

17. The statement of cash flows reflects changes in working capital totaling Kshs.210,379 which includes working capital adjustments of Kshs. (18,439,059). However, the recomputed increase in receivables from exchange and non – exchange transactions totaled to Kshs.25, 902,219 resulting to a variance of Kshs.44,341,278, which was not explained or supported.

18. The statement of financial performance reflects prior year net surplus amount of Kshs. 1,461,559 which has been omitted from the statement of changes in assets.

Management Response

19. The amount of Kshs. 29,000 was directly expensed under project costs and was therefore not treated as an asset purchase, which explains its exclusion from the statement of cash flows under investment activities. Regarding the other two anomalies, the variances in working capital adjustments and the omission of the prior year net surplus were the result of erroneous entries made by the former accountant. These discrepancies were identified and have since been rectified in the financial statements for the subsequent financial year 2023/2024.

Committee Observation

20. The Committee observed that the Finance Officer in the docket is unqualified to handle financial statements of the institution which presents a bad image of the management and creates a loophole for embezzlement of funds

Committee Recommendation

21. The Committee recommends that the management should request the Ministry of Education to second a competent officer to the institution to help them carry out their activities.

3.1.2 Long Outstanding Accounts Receivables

22. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.20,487,841. The amount includes Kshs.1, 653,670 that has been outstanding for more than one (1) years, raising doubt of its recoverability. In addition, significant accounting policies on accounts receivables is silent on the treatment of student's fees balance which is a major source of income for the school.

Management Response

23. The significant outstanding student debt balance relates to amounts attributable to unremitted capitation and HELB loans, which have not yet been received from the relevant government agencies. The government has been silent on how to treat such debts. Until the college receives direction on how to handle such debts, it cannot take any action.

Committee Observation

24. The Committee observed that scholarships and HELB have not been remitted to the institution which is greatly affecting their cashflow thus limiting operations and the large sums of long outstanding receivables.

Committee Recommendation

25. The Committee recommends that the organizations responsible together with the government should make it a priority to disburse funds in the institution for their smooth operations.

3.1.3 Property, Plant and Equipment

26. The statement of financial position reflects property, plant and equipment balance of Kshs. 46,634,553. Review of the records revealed the following;

    i) Management last revalued the property, plant and equipment in 2019/2020 financial year end.

    ii) An incomplete asset register as it lacked vital information such as identification or serial number acquisition date, description of the asset, location of asset etc

iii) The value of the land was not included in the property, plant and equipment and the college does not have ownership documents for the land.

Management Response

27. The College is in the process of engaging government valuers to revalue its property, plant, and equipment to ensure the carrying amounts reflect fair value as required. Regarding the asset register, the issue was resolved, and the register was updated to include all relevant information such as identification numbers, acquisition dates, descriptions, locations, asset classes, acquisition costs, accumulated depreciation, and net book values, with all assets tagged accordingly. The exclusion of the land value from the financial statements was due to the fact that the College occupied land historically allocated from a neighboring high school. Efforts were made to secure legal ownership, and the necessary documentation was submitted to the Kiambu County Lands Office for processing of the title deed.

Committee Observation

28. The Committee observed that the management is making deliberate efforts to obtain the institution's land title and subsequently value its land.

Committee Recommendation

29. The Committee recommends that the institution embarks on the process of acquisition of land title deeds and subsequently evaluate it within six (6) months upon adoption of this report.

3.1.4 Unsupported Adjustments in the Statement of Net Assets

30. The statements of changes in net assets reflects a fair value adjustment on capital of Kshs.2,308,663 made up of revenue reserves of Kshs.6,379,093 and accumulated fund of Kshs (4,070,430) which was not supported. Further, the statement reflects an unexplained balance of Ksh.2,546,102 of transfer of depreciation/amortization from capital fund to retained earnings balance.

Management Response

31. The noted discrepancies were the result of erroneous entries made by the former accountant. These errors have since been identified and rectified in the financial statements for the subsequent financial year 2023/2024. The corrections are supported by the relevant documentation. Accordingly, the matter has been resolved and the financial records have been corrected to reflect accurate and supported adjustments.

Committee Observation

32. The Committee observed numerous errors within the financial statement due to lack of capacity

of the finance officer, however, they currently have a substantive officer who has continuously rectified the errors thus the issue is resolved.

3.1.5 Significant Increases in Receivables from Non-Exchange Transactions

33. The statement of financial position reflects an amount of Kshs.7,956,500 in respect to outstanding capitation which reflects an unexplained increase of Kshs7,906,500 or 157% from the amount of Kshs.50,000 reported in the previous year.

Management Response

34. The receivables balance primarily relates to outstanding capitation grants that are yet to be disbursed by the relevant government agencies. These amounts have been recognized based on student enrolments and entitlements as per the applicable funding frameworks. However, to date, the government has not provided clear guidance on the appropriate accounting treatment or write-off procedures for such long-outstanding receivables. Consequently, the College is unable to take further action until formal instructions or policy direction are issued by the relevant authorities.

Committee Observation

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

Committee Recommendation

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

3.1.6 Budgetary Control and Performance

37. The statement of comparison of budget and actual reflects final receipt budget and actual amount of Kshs.15,900,250 and Kshs.12,504,329 respectively, resulting in an under funding of Kshs.3,395,921 or 21% of the budget. Similarly, the Institute incurred a final expenditure of Kshs.11,840,103 against a final budget of Kshs.15,900,250 resulting in budget under – utilization of Kshs.4,060,147 or 26% of the budget.

Management Response

38. The noted variance between the final budget and actual amounts is primarily due to the difference in the basis of accounting used for budget preparation and financial reporting.

Specifically, the budget is prepared on a **cash basis**, while the financial statements, including the Statement of Comprehensive Income, are prepared on an **accrual basis**, in accordance with the applicable Public Sector Accounting Standards. It is important to note that this variance does not indicate actual underfunding or underutilization, but rather reflects standard and acceptable accounting treatment resulting from the timing differences in the recognition of receipts and obligations.

Committee observation

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

Committee Recommendations

41. The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of inadequate funding in higher education institutions.
42. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

3.1.7 re to Adhere to Data Protection Requirement

43. The Institute had not registered as data controller or data processor with the Office of the Data Protection Commissioner, despite handling personal data of employees, students, customers and third parties contrary to Section 18 of the Data Protection Act, 2019. This section, read together with the Data Protection (Registration of Data Controllers and Data Processors) Regulations, 2021, mandates registration with the Office of the Data Protection Commissioner (ODPC) for entities meeting specific turnover or employee thresholds.

Management Response

44. The College has since initiated the registration process with the Office of the Data Protection Commissioner in compliance with the relevant regulations.

Committee Observation

45. The Committee observed that the data protection policies are in place and recommends that the

management ensures compliance within three (3) months upon adoption of the report.

3.1.8 Non-Compliance with the Ethnic in Employee composition

46. Review of employee's records revealed that 58% of the total population of 38 staff belong to one dominant ethnic community above the 25% provided by the law.

Management Response

47. The above challenge has been as a result of the following:

i. Recruitment of PSC Trainers:

48. The recruitment and deployment of trainers under the Public Service Commission (PSC) attempts at this ethnic balance. However, due to the hardship nature and location of the college, newly deployed staff from other regions tend to seek transfers soon after they are deployed. Majority swap with other trainers deployed in other regions that come from the neighborhood.

ii. Recruitment of Board of Governors (BOG) Trainers:

49. The institution endeavors to ensure that recruitment processes for BOG trainers are inclusive and aligned with the principles of ethnic diversity. Despite this, achieving broader representation has been challenging due to several factors:

iii. Compensation Limitations:

50. The financial position of the college does not allow the college to offer a competitive package and hence unable to attract people from all over the country.

iv. Geographical Location:

51. Nachu TVC is located in a hardship area with challenges in roads, communication and access to basic amenities such as water. These challenges make working in the college very unattractive for Kenyans who come far off areas.

Committee Observation

52. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

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

3.1.9 Inadequate Staffing

54. The Institution's staff establishment revealed that there were shortages of staff in critical teaching and non-teaching positions, contrary to the recommended staffing levels. The Institution is authorized to have seventy – one (71) staff but has only twenty (20) resulting to an understaffing of fifty – one (51).

Management Response

55. To address the staffing shortfall, six (6) additional trainers were recruited and deployed by the Public Service Commission (PSC), while five (5) more staff members were recruited by the Board of Governors (BOG). These efforts have helped reduce the gap and improve service delivery.

Committee Observation

56. The Committee noted that the institution is located in a hardship area, which makes it difficult to retain staff for extended periods. However, the management is taking deliberate steps to engage the Public Service Commission in recruiting personnel for the institution.

3.1.10 Enterprise Risk Management Policy (ERM)

57. Lack of an Enterprise Risk Management (ERM) Policy.

Management Response

58. The College is in the process of developing an Enterprise Risk Management (ERM) Policy. The process is currently at the initial stage of internal consultations and stakeholder engagement.

Committee Observation

59. The Committee observed the efforts made by the institution despite the financial constraints.

Committee Recommendation

60. The Committee recommends that they regularize and make the policy active within three (3) months upon adoption of the report.

3.1.11 Lack of an Approved Information and Communication Technology Policy (ICT)

61. Lack of the information technology Policy which is contrary to the law.

Management Response

62. The College has an existing, approved ICT Policy, which was fully operational and in use at the time of the audit. The policy document was availed to the auditors during the audit exercise.

Committee Observation

63. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified the existence and operation of the policy.

3.2 Audited statements for Financial Year 2023/2024

3.2.1 Unsupported School Fee Collection

64. The student enrolment database contains errors and duplication of students and could not be relied upon as the amount was also not supported. Further, records provided revealed that the Institution charged an extra unapproved amount of Kshs.5,900 per student which no records on amount collected was provided.

Management Response

65. The institution levies an additional charge of Ksh. 5,900 per student, which was approved by the Nachu Technical and Vocational College (Nachu TVC) Board. This resolution is documented under Board Minute Reference MIN BOG 17/06/2023/6, under the agenda item titled "Consideration of the Draft Budget for the FY 2023/2024." The college utilizes a centralized invoicing system where all amounts due—including tuition fees and additional charges—are consolidated into a single invoice per student for ease of payment and transparency. It noted that the government-recommended tuition fee of Kshs. 67,189, based on standardized vote heads that did not cover some essential institution-specific operational services. These include critical cost items such as:

i. Student Identification Cards

ii. Student Welfare programs and support services such as KUCCPS and TVETA remittances.

66. As such, the additional Kshs. 5,900 was deemed necessary and was duly approved to meet these supplementary needs.

67. Regarding the TVETA Quality Assurance Fee of Kshs. 500, Management affirms that this fee is legally mandated through a Gazette Notice issued on 26th May 2017 by the Technical and Vocational Education and Training Authority (TVETA). While the audit noted that TVETA had not invoiced Nachu TVC for the Financial Year 2023/2024 at the time of this audit, Management confirms that:

68. The institution has since received the official invoice in the third quarter of FY 2024/2025, for the last two financial years. In relation to the Kshs. 1,500 KUCCPS Placement Fee, Management clarifies that:During admissions, the student's placement status is verified via the KUCCPS portal by the Admissions Officer. Each quarter, KUCCPS requests institutions to submit lists of newly admitted students for validation. Once the validation process is complete:

69. The Management submits that the KUCCPS issues an invoice of Kshs. 1,500 per validated walk-in student. The institution processes the payment and, in return, receives a validated student list, which is submitted to the Directorate of Technical Education for capitation disbursement. All supporting documentation—including Board minutes, approvals, government circulars, invoices, receipts, remittance evidence, and validation reports were duly provided.

Committee Observation

70. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified necessary documentations (invoices) that KUCCPS provided.

3.2.2 Unsupported Short Courses

71. The statement of financial performance reflects sale of good and services amount of Kshs.313,093 which includes income from short courses totaling Kshs.186,300. Record provided revealed that the Institution offers in-house short courses ranging from two (2) weeks to six (6) months for various or categories. However, the income for short courses was not supported by the list of students and costs of their respective courses.

Management Response

72. Institution maintains records of student attendance and course participation for all in-house short courses conducted during the year. To address the concern raised, the ledger of all students who made payments for and participated in the respective short courses has been provided.

Committee Observation

73. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified necessary documentations.

3.2.3 Property Plant and Equipment

74. The statement of financial position reflects property, plant and equipment balance of Kshs.57,660,473. However, the value of land where the Institution sits was not included under property, plant and equipment and the ownership documents were not provided for audit review.

Management Response

75. The exclusion of the land value from the financial statements is due to the fact that the institution occupies land that was historically part of the neighboring high school. The college has attempted to secure legal ownership for the land. The necessary documents for this process have been submitted to the Kiambu County Lands Office to process a title deed.

Committee Observation

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

3.2.4 Long Outstanding Student Debtors

77. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.49,402,302 relating to student debtors. Records provided revealed that Kshs.38,895,250 or 79% of the debts were outstanding for more than 360 days. Further, the Institution policy on the provision of bad and doubtful debt was not provided.

Management Response

78. The significant outstanding student debt balance relates to amounts attributable to unremitted capitation and scholarship grants, which have not yet been received from the relevant

government agencies. The government has been silent on how to treat such debts. Until the college receives direction on how to handle such debts, it cannot take any action.

Committee Observation

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

3.2.5 Budgetary Control and Performance

80. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.40,531,204 and 60,791,484 respectively resulting to an overfunding of Kshs.20,260,280 or 50% of the budget. Similarly, the statement reflects final expenditure of Kshs.38, 899,199 against actual receipts of Kshs.60,791,484 resulting to an under expenditure of Kshs.21,892,285 or 36% of actual receipts.

Management Response

81. There was no overfunding of Nachu Technical and Vocational College. The noted variance is a result of the difference in the basis of accounting used in budget preparation and financial reporting. Specifically, the budget is prepared on a cash basis, while the Statement of Comprehensive Income is prepared on an accrual basis, in accordance with applicable public sector accounting standards. This accounting difference results in timing variances between when revenues received and expenses are recognized.

82. Furthermore, the variance does not reflect any mismanagement of funds or excessive allocations but rather the timing of receipts and obligations. Some revenues and expenses may have been recorded in different financial periods under the accrual basis, despite being budgeted for in a specific cash period.

Committee Observation

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

3.2.6 Irregular Use of Low Value Procurement in Purchase of Clean Water

84. The statement of financial performance reflects use of goods and services payments totaling Kshs. 21,842,177 which includes utilities expenditure of Kshs.542,336. The utilities further

include an amount of Kshs.120, 500 for frequent purchase of clean water whose procurement method was contrary to the law.

Management Response

85. The purchase of water in these circumstances was due to the following:

i. Absence of Registered Suppliers

86. At the time of procurement, both the institution's list of registered suppliers and that provided by the KINAP Mentor Institution did not include a supplier category for the supply and delivery of clean water. As such, the College had limited procurement options for this essential utility service.

ii. Procurement based on need

87. The purchase of clean water was carried out strictly on a need basis. During the rainy season, the College made deliberate efforts to harvest and store rainwater. Additionally, water usage was closely monitored and rationed to ensure it lasted as long as possible. These measures significantly reduced the frequency and volume of purchased water.

iii. Corrective Measures Implemented

88. To address this issue sustainably, the College sought for the drilling of a borehole through donation. Athi water drilled one that now provides the college with water.

Committee Observation

89. The Committee observed that the Accounting Officer disregarded procurement methods which is contrary to the provisions of the Public Procurement and Asset Disposal Act, Cap. 412C.

Committee Recommendation

90. The Committee recommends that the Accounting Officers must always ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods and services pursuant to the provisions of section 68(2)(e) of the Public Finance Management Act, Cap. 412A.

3.2.7 Non-Compliance with the Ethnic in Employee Composition

91. Employee records revealed that out of the twenty (20) Public Service Commission (PSC) staff

deployed in the College, eleven (11) or 55% and out of the thirty-one (31) Board employees, 21 or 68% are from the dominant ethnic community. Further, out of eleven (11) newly employed, six (6) by Public Service Commission and five (5) by the Board, eight (8) or 73% are from the dominant ethnic community contrary to the law.

Management Response

92. The above challenge has been as a result of the following:

i. **Recruitment of PSC Trainers**

93. The recruitment and deployment of trainers under the Public Service Commission (PSC) attempts at this ethnic balance. However, due to the hardship nature and location of the college, newly deployed staff from other regions tend to seek transfers soon after they are deployed. Majority swap with other trainers deployed in other regions that come from the neighborhood.

ii. **Recruitment of Board of Governors (BOG) Trainers**

94. The institution endeavors to ensure that recruitment processes for BOG trainers are inclusive and aligned with the principles of ethnic diversity. Despite this, achieving broader representation has been challenging due to several factors:

iii. **Compensation Limitations**

95. The financial position of the college does not allow the college to offer a competitive package and hence unable to attract people from all over the country.

iv. **Geographical Location**

96. Nachu TVC is located in a hardship area with challenges in roads, communication and access to basic amenities such as water. These challenges make working in the college very unattractive for Kenyans who come far off areas.

Committee Observation

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

3.2.8 Lack of Trainers' Accreditations

98. The college has a population of nineteen (19) contracted trainers and resource persons by the governing Board. Of this population, five (5) tutors were recruited during the financial year under review for whom no records or reports to show that the trainers were registered and licensed by TVETA were provided.

Management Response

99. To get a TVETA license, a trainer has to meet the basic requirement of pedagogical training. During recruitment of trainers both PSC and BOG, pedagogy is and added advantage not a requirement. The key requirement for recruitment in the minimum qualification in the area of training. Majority of trainers needed in TVET colleges do not have the pedagogy and are allowed to train as they acquire the pedagogical skills. This is what has hindered the trainers from having the TVETA licenses.

Committee Observation

100. The Committee observed that the trainers within the institution lack pedagogical training which hinders them from acquiring TVETA licenses.

Committee Recommendation

101. The Committee recommends that the management makes the training accessible and ensure compliance as the training is necessary for the trainers to acquire the TVETA licenses.

3.2.9 Engaging of Casuals Laborers without Policies

102. The statement of financial performance reflects use of goods and services expenditure totaling Kshs.21, 842,177 which includes performance contracting expenditure amounting to Kshs.2, 095,612. Included in this is an expenditure of Kshs.594, 660 being payment of labor for landscaping and beautification of the College. However, the College did not have contracts with the casuals engaged and there was no policy for engaging casuals.

Management Response

103. During the Technical and Human Resources Committee meeting of the Nachu TVC Board held on 23rd November 2022, under minute reference MIN.BOG THRC18/23/11/2022: HR DRAFT POLICY PROGRESS (attached), the Committee noted that the College occasionally requires the services of both unskilled and semi-skilled casual laborers. These services are often necessitated by short-term needs arising from prevailing operational circumstances.

104. The Committee observed that the College's Human Resource Policy recognizes the

engagement of casual laborers on a daily wage basis. Based on this the college has been engaging and paying casual laborers on a need basis. Payment is negotiated based on the job to be undertaken. In line with this, a daily attendance register showing the casual laborer's details and amount negotiated for the job to be undertaken is kept. Once the job is completed, the laborer signs against these details during payment. To strengthen the controls, the college has since drafted a casual laborer's contract that is awaiting approval by the BOG.

Committee Observation

105. The Committee observed that the management engaged casual laborers without a policy, however, the HR policy was not clear on the policies of engagement. The policy is currently drafted and operational, thus the issue is resolved.

4.0 WOTE TECHNICAL TRAINING INSTITUTE

106. Mr. Joshua Munyuki, Principal, accompanied by;

i. Mr. Felix Mung'ato- Former Principal

ii. Mr. John Kimiti- Finance Officer

iii. Mr. Alfonce Moli- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Wote Technical Training Institute, on 27th March 2025.

4.1 Audited statements for Financial Year 2018/2019

4.1.1 Errors of Presentation and Disclosures in the Financial Statements

107. Review of the financial statements prepared and presented for audit revealed errors of presentation.

i. Table of Contents includes ageing of debtors and creditors analysis as part of the indices under Page 20 which is not in the financial statements.

ii. Page numbers under ii and xii have not been indicated.

iii. Page numbers from 10 to 15 appear in the middle of the pages. This has caused obstruction of some of contents in the said pages.

iv. Title of the financial statements is either missing or incomplete from Page 5 to 19.

v. Information provided under Management Discussion and Analysis report was very summarized.

vi. The financial statements as presented are incomplete as the various disclosures were missing, for example, the summary of significant accounting policies and significant judgments and sources of estimation uncertainty.

vii. The following indexes required as per the prescribed reporting template have not been included; Progress on follow up of auditor's recommendation, projects implemented by the entity and recording of transfers from other government entities.

Management Response

108. Transition from Cash accounting framework which was being used by the TVET institutions upto 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff hence such errors. The Finance Officer ensured the annual report for FY 2020/2021 was presented as per the new template and therefore such a finding should not recur in future reports.

109. The management employed a Finance Officer to assist in addressing the issue. The management has continuously corrected most of the errors of presentation and disclosures in the subsequent financial statements. The management has continued to provide capacity building on the use of the new reporting templates.

Committee Observation

110. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

4.1.2 Unaudited Opening Balances

111. The statement of financial position reflects total assets and liabilities of Kshs.496,593,039 and 3,626,149 respectively as at 30 June, 2018. However, Management did not submit the financial statements for the year ended 30 June, 2018 to Auditor-General for audit.

Management Response

112. The institution was previously audited by the school Audit Unit upto 2017/2018. The management therefore used the closing balances as per the last audit of 2017/2018 by the School Audit Unit as the opening balances for 2018/2019 financial year.

113. The management has ensured that at the end of each financial year books of accounts are submitted to the Office of the Auditor General for audit.

Committee Observation

114. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

4.1.3 Variances Between Statement of Financial Performance and General Ledger

115. Comparison of the statement of financial performance with the general ledger revealed variances for several components.

Management Response

116. The management has provided reconciled the schedules to the figures in the financial performance. The finance officer has continuously addressed these gaps through the submitted annual report for 2020/2021 and therefore such findings do not recur again.
117. The management has ensured there is continuous capacity building for all members of Finance department.

Committee Observation

118. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

4.1.4 Statement of Financial Position

119. Statement of financial position reflects the total assets of Kshs.399,390,377 and total reserves and liabilities of Kshs.527,045,440 as at 30 June, 2019 resulting in a variance of Kshs.127,655,063. No explanation was given for the anomaly.

Management Response

120. Transition from Cash accounting framework which was being used by the TVET institutions up to 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff hence such errors.
121. The Finance Officer ensured the above anomalies which relate to balance sheet Items were all corrected in the annual report for FY 2020/2021 which was presented as per the new template and therefore such a finding should not recur in future reports.
122. The management has ensured there is continuous capacity building for all members of staff.

Committee Observation

123. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response, having verified the requisite documentation.

4.1.5 Statement of Cashflows

124. The statement of cash flows reflects Kshs.9,149,570 in respect to cash and cash equivalents as at the end of the year, but statement of financial position showed Kshs.8,657,492 resulting to a variance of Kshs.492,078, which has not been explained.

125. The statement of cashflows has also accounted for grants for development amounting to Kshs.2,547,250 twice as both cash flows from operating and financing activities.

Management Response

126. Transition from the Cash accounting framework which was being used by the TVET institutions upto 2017, to Accrual accounting framework from 2018 presented a major challenge to the Finance staff as they were used to Cash basis accounting framework hence such errors.

127. The above errors where however cleared in the annual report of FY 2020/2021 since they are balance sheet items.

Committee Observation

128. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentation.

4.1.6 Differences with the Cashbook and Financial Statements

129. Comparison of the bank balances as per the cashbooks with the financial statements revealed that while financial statements showed Kshs.8,547,449(total), the Cashbooks showed at total of Kshs.6,559,744 resulting to a difference of Kshs.1,947,705,25.

Management Response

130. The management has addressed these gaps through the submitted annual report for 2020/2021.The cash balances and the financial statements balances are reconciled as at 30/06/2021 and therefore such findings will not to recur again. The management has ensured there is continuous capacity building for all members of staff

Committee Observation

131. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.1.7 Undisclosed Cash in Hand Balance

132. The board of survey report presented for audit revealed that the Institute had cash in hand balance of Kshs.320,905 as at 30 June, 2019 which was not disclosed in the financial

statements.

Management Response

133. The management further scrutinized the records and noted this was anomaly that has since been corrected as shown in the opening balances for cashbooks for the following year.

Committee Observation

134. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.1.8 Local Transportation and Travel

135. The statement of financial performance reflects expenditure of Kshs.80,552,372 in respect of operating expenses as disclosed under Note 17 to the financial statements. Included in the expenditure is an amount of Kshs.7,412,245 in relation to local transport and travel which was not supported with relevant documentation such as; ledgers, schedules, work tickets, imprest warrants and surrender vouchers.

Management Response

136. All Unsupported Expenditure on local transport and travelling have been supported with the necessary support documents. Actions are taken to staffs who do not submit pending imprest seven (7) days after returning to the work station. Staff cannot be given a new imprest before clearing the first or the imprest will be recovered at source.

Committee Observation

137. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management's response having verified relevant supporting documents of all expenditure on local transport and travel.

4.1.9 Staff Costs

138. The statement of financial performance reflects an expenditure of Kshs.16,759,574 incurred on staff costs as disclosed under Note 13 to the financial statements. However, review of documents revealed that the amount included Kshs.1,121,654 which was paid to a security company for provision of security services but misclassified as staff costs.

Management Response

139. The expenditure on security services has been classified correctly and removed from staff cost expense as evidenced by Audited Financial Statement for FY 2021/2022 and 2022/2023.

Committee Observation

140. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management's response having verified relevant supporting documents and the regularization therein made.

4.1.10 Receivables from exchange Transactions

141. The statement of financial position reflects receivables from exchange transactions balance of Kshs.28,492,728 as disclosed under Note 20 to the financial statements. Included in the balance are debtors totaling Kshs.9,841,546 that were not supported by way of a detailed ageing analysis.

142. In addition, the statement shows a comparative balance of Kshs.116,492,060 while the disclosure Note 20 to the financial statements has a nil comparative balance. Further, Management did not demonstrate any tangible efforts towards recovery of these debts.

Management Response

143. The student debtors of Kshs. 28,492,728 is majorly attributable by the unremitted GOK capitation. The management could not write off this debt without approval from the line ministry indicating that the government will not honour and pay the balance. The debtors ageing analysis of Kshs. 9,841,546.00 is available.

Committee Observation

144. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where debtors have been cleared as per audited report of 2020/2021.

4.1.11 Trade and Other Payables

145. The statement of financial position reflects a balance of Kshs.22,000,099 in respect of trade and other payables from exchange transactions as disclosed under Note 24 to the financial statements. The balance includes amount of Kshs.678,950 relating to refundable deposits which has been disclosed separately in the statement of financial position.

Management Response

146. The management noted this as an accounting error which has since been cleared as evidenced in the annual report for 2020/2021. The management has ensured there is continuous capacity building for all members of staff.

Committee Observation

147. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where errors were corrected from 2020/21 and refundable deposits have been disclosed separately.

4.1.12 Property, Plant and equipment

148. The statement of financial position reflects Kshs.362,240,157 in respect of property, plant and equipment as disclosed under Note 21 to the financial statements.

149. However, the statement of financial position reflects a comparative balance of Kshs.376,376,306 while the disclosure Note 21 to the financial statements has a nil balance on the same.

Management Response

150. The management noted this error which has since been corrected as evidenced in the annual report for 2020/2021 and 2021/2022

Committee Observation

151. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where errors were subsequently corrected.

4.1.13 Undisclosed Acquisition of assets

152. Review of the general ledger and supporting documents revealed that during the year, the Institute acquired assets valued at Kshs.11,415,101 which were not disclosed in the financial statements

Management Response

153. The management noted this anomaly and undertook a complete valuation of all its assets including the above assets. All the assets including the above have been captured in the statement of financial position for 2021/2022 and 2022/2023.

Committee Observation

154. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where errors were subsequently corrected.

4.1.14 Lack of Assets Register

155. Management did not provide for audit a fixed asset register and it was therefore not possible to confirm the details and accountability over the non-current assets owned by the Institute as well as the accuracy of the values reflected in the financial statements.

Management Response

156. The management has developed a fixed asset register in accordance with Regulation 145 of the Public Finance Management (National Government) Regulations, 2015.

Committee Observation

157. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified an existing fixed asset register.

4.1.15 Unexplained Balances on Related Entities

158. Review of the financial statements revealed additional workings outside the disclosure notes on account of related parties' transactions with amounts totaling Kshs.122,152,078. No explanation was provided on the nature and the effects of the transactions to the Institute's financial statements for the year ended 30 June, 2019.

159. In addition, these transactions/balances were not disclosed under related parties' transactions as provided in the prescribed reporting template.

Management Response

160. The management noted lack of disclosure on the above but has ensured this anomaly does not recur again in future and all related parties' transactions are well explained as evidenced in the annual report for 2020/2021 and 2021/2022.

Committee Observation

161. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where errors were subsequently rectified.

4.1.16 Failure to submit previous Year's Financial Statements for Audit

162. The Institute did not submit financial statements for the 2013/2014 to 2017/2018 financial years to the Auditor-General for audit as required. This a contravention of Section 29(1 & 2) of second schedule of the Technical and Vocational Education and Training Act, Cap. 210A and Section 68(1) of the Public Finance Management Act, Cap. 412A which stipulates that, technical training institutions shall submit financial statements to the Auditor-General for

audit within 3 months after the end of each financial year.

Management Response

163. This was due to Lack of proper communication from the parent Ministry. Up to 2017, TVETs continued to submit their annual reports to the Schools audit unit Contrary to the requirements of the TVET Act, Cap. 210A. The management has ensured that at the end of each financial year books of accounts are submitted to the Office of the Auditor General for audit.

Committee Observation

164. The Committee noted that the management did not submit financial statements within the audit cycle as required by Public Finance Management Act.

Committee Recommendations

165. The Committee recommends that the Accounting Officer ensures full compliance at all times with Section 68(2)(k) of the Public Finance Management (PFM) Act, Cap. 412A and Regulation 99(3) of the PFM (National Government) Regulations, 2015, by availing all supporting documentation for the financial statements within three (3) months after the end of each financial year.

4.1.17 Unauthorized Over expenditure

166. Review of the statement of comparison of budget and actual amounts revealed that the Institute incurred expenditure over and above the approved budget totalling Kshs.58,886,610 under three components

Management Response

167. The institute experienced serious water scarcity that was occasioned by prolonged drought in the country. This increased bulk water purchase cost and electricity due to increased cost of pumping the water to different buildings within the institute. There was increase in enrolment for NYS students who were accommodated within the institute as per the MOU between the institute and the NYS. This resulted to overspending on operational expenses.

168. The institute engaged more BOG Trainers during the year due to the increased student's enrolment a situation that had not been anticipated. This contributed to over expenditure on staff cost.

Committee Observation

169. The Committee observed that the management did not seek approval for spending Kshs. 58,886,610 above the estimated budget.

Committee Recommendation

170. The Cabinet Secretary National Treasury should compel the Accounting Officer to provide an explanation for incurring expenditure that is neither lawful and authorized contrary to section 68(2) (a) of the Public Finance Management Act, 2012 within three months of adoption of this report.

171. Where no satisfactory explanation is provided to the CS National Treasury and Auditor General within the stipulated time, the Accounting Officer should be prosecuted for financial misconduct relating to incurring expenditure without lawful authority contrary to section 197(1) (h) of the Public Finance Management Act, Cap. 412A.

4.1.18 Lack of Approved Budget

172. The statement of financial performance reflects receipts and expenditure for the year of Kshs.92,607,340 and Kshs.129,212,417 respectively. However, no supporting documents were provided for audit to show that annual estimates relating to the year under review were submitted to the Cabinet Secretary for approval. This is a contravention of the requirements of Section 22 of Second Schedule of Technical and Vocational Education and Training (TVET) Act, Cap. 210A and Regulation 31(1) and (2) of the Public Finance Management Act (Regulations) 2015.

Management Response

173. By then, the budgets were approved by the BOG but after the advice by the Office of the Auditor General, all subsequent budgets from 2021/2022FY have been taken to the line ministry for approval.

Committee Observation

174. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified relevant supporting documents where the budget for 2022/2023 had been approved by the Office of the Cabinet Secretary Ministry of Education.

4.1.19 Irregularity in Procurement of Goods and Services

175. During the year under audit, the Institute procured through request for quotations method; goods and services, bulk water supply and boarding equipment and stores worth

Kshs.4,236,226, Kshs.809,300 and Kshs.3,644,470 respectively from suppliers who had not been prequalified in the year. This was contrary to the provisions of Section 95(3) of Public Procurement and Asset Disposal Act, Cap. 412C which stipulates that procuring entity shall only invite tenders from approved persons who have been prequalified.

Management Response

176. The updated supplier register had been misplaced by time of the audit but has since been located and forwarded to the Auditor General for verification. The above three suppliers were in the updated prequalified list.

Committee Observation

177. The Committee observed that tendering all categories under which the Institution needs external service providers were tendered for and a list of registered suppliers provided thus the issue is resolved.

4.1.20 Irregular Advance Payments

178. Review of payment documents for the year revealed that the Institute paid a total of Kshs.2,423,664 vide P.V. No. DOIO1 and P.V. No. D0099 of 16/11/2018 and 13/7/2018 respectively as advance payments in respect to a contract for installation of a food and beverages restaurant.

179. The advance payment which represented about 83% of the total contract sum of Kshs.2,932,720 was paid without any form of security from the contractor which exposes the Institute to loss in the event of non-performance of the contracts.

Management Response

180. The items were urgently required and the supplier had set a condition for advance payment to be done before the items were supplied.

181. The influx of the NYS students necessitated the installation of a food and beverage restaurant.

Committee Observation

182. The Committee observed that the institution operated on contract terms with the supplier and paid advances without any form of security thus exposing the institution to risks.

Committee Recommendation

183. The Committee recommends that the management puts in measures to cushion the institution in instances like this to reduce the risk of exposure of the institution.

4.1.21 Lack of a Risk Management Policy and Disaster Recovery and Business Continuity Plan

184. The audit revealed that the Institute did not have in place an approved Risk Management Policy and a Disaster Recovery and Business Continuity plan. This is contrary to the provisions of Regulation 165(a) and (b) of the Public Finance Management (National Government) Regulations 2015, which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.

Management Response

185. The management has developed a risk management policy. The management has initiated the process of developing the disaster recovery plan and Business Continuity policy and has even set aside a budget for the same in the FY 2023/2024 Budget.

Committee Observation

186. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified an existing risk management policy.

4.2 Audited statements for Financial Year 2019/2020

4.2.1 Lack of Approved Budget

187. No approved budget was provided to confirm that annual estimates for the year under review were submitted to the Cabinet Secretary for approval.

Management Response

188. By then, the budgets were approved by the BOG but after the advice by the Office of the Auditor General, all subsequent budgets from 2021/2022FY have been taken to the line ministry for approval before implementation.

Committee Observation

189. The Committee observes that this matter had been addressed and reiterates its recommendation.

4.2.2 Errors of Presentation and Disclosures in Financial Statements

190. Failure to comply with reporting template. Revenue figure of Kshs. 151,158,623 reported in the statement of financial performance differs from revenue figure of Kshs 161,133,036 in financial performance.

Management Response

191. The analysed pending bills figure of Kshs 77,476,647 differs with Kshs 137,333,876 reflected in the statement of financial position. Transition from Cash accounting framework which was

being used by the TVET institutions up to 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff as they were used to Cash basis accounting framework hence such errors. The management has ensured the annual report for FY 2020/2021 was presented as per the new template and NO single error on presentation and disclosure was noted.

192. The management has continuously corrected most of the errors of presentation and disclosures in the subsequent financial statements. The management has continued to provide capacity building on the use of the new reporting templates.

Committee Observation

193. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.3 Statement of Financial Position

194. An unexplained variance of Kshs.194,649,567 between total assets and liabilities. Figure for trade and other payables from exchange transactions of Kshs.137,333,876 not supported with an ageing analysis of creditors. An amount of Kshs.436,070 for caution money included in the above figure is also disclosed separately- in statement of financial position as refundable deposits.

Management Response

195. Transition from Cash accounting framework which was being used by the TVET institutions up to 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff hence such errors.

196. The management ensured the above anomalies which relate to balance sheet Items were all corrected in the annual report for FY 2021/2022 which was presented as per the new template and therefore such a finding should not recur in future reports.

197. The management has ensured there is continuous capacity building for all members of staff

Committee Observation

198. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.4 Statement of Cash Flows

199. Cash and cash equivalent reflects an amount of Kshs.120,832,159 while after recasting amounts to Kshs.150,322,500.
200. Government grants of Kshs.2,547,250 is posted in statement of cash flows as receipts and financing activity.
201. Kshs.12,874,061 for depreciation and amortization reflected as payment in Statement of Cash Flows.

Management Response

202. Transition from Cash accounting framework which was being used by the TVET institutions up to 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff as they were used to Cash basis accounting framework hence such errors.
203. The above errors where however cleared in the annual report of FY 2020/2021 since they are balance Sheet Items.

Committee Observation

204. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.5 Statement of Comparison of Budget and Actual Amounts

205. An unexplained variance of Kshs.15,911,405 and Kshs.9,415,534 for total income and expenditures respectively reflected in the statement of comparison of budget and actual amounts and statements of financial performance.
206. An unexplained variance of Kshs.8,717,935 for depreciation figures reflected in the statement of comparison of budget and actual amounts statements of financial performance.

Management Response

207. Transition from Cash accounting framework which was being used by the TVET institutions upto 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff hence such errors
208. The management has corrected all the errors in the statement of comparison of Budget and Actual amounts in the subsequent annual reports.

Committee Observation

209. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.6 Understatement of Revenue from Exchange Transactions

210. Revenue of Kshs.155,214,583, Kshs.13,275,000 and Kshs.10,308,907 realized from; NYS, capitation and HELB not included the financial statements.

Managements Response

211. The management has taken measures to ensure all understated revenue has been captured in the books in the subsequent annual reports.

212. Transition from Cash accounting framework which was being used by the TVET institutions up to 2017 to Accrual accounting framework from 2018 presented a major challenge to the Finance staff hence such errors.

Committee Observation

213. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.7 Undisclosed Grants and Related Expenditure

214. Grants from Parent Ministry, Machakos Town-NGCDF and Kitui East-NGCDF of Kshs.44,310,000 and expenditures of Kshs.43,398,073 incurred from the grants were not disclosed in the financial statements.

Management Response

215. The management noted lack of disclosure on the above but has ensured this anomaly does not recur again in future and all related parties' transactions are well explained as evidenced in the annual report for 2020/2021 and 2021/2022.

Committee Observation

216. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.8 Unsupported Expenditure on BOG Retreat

217. BOG members expenses of Kshs.2,130,110 as disclosed in Note 14 to the financial statements includes unsupported expenditure of Kshs.1,112,600 for allowances paid to Board members while attending a performance review retreat in Mombasa. Attendance registers, daily programs for the meetings, minutes and reports to authenticate the expenditure were not provided.

Management Response

218. All Unsupported Expenditure on BOG Retreat have been supported with necessary supporting documents.

Committee Observation

219. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.9 Unsupported Expenditure on Local Transport and Traveling

220. Figure for local transport and travelling of Kshs.6,772,707 as disclosed in Note 17 to the financial statements includes Kshs.486,680 not supported with relevant documents. Amended financial statement not provided.

Managements Response

221. All Unsupported Expenditure on local transport and travelling totaling to Kshs.486,680.00 have been supported with necessary support documents

Committee Observation

222. The Committee observed that this matter had been addressed and reiterates its recommendation.

4.2.10 Unsupported Expenditure on Boarding Equipment and Store Expenses

223. Expenditure of Kshs.1,797,169 in respect to boarding equipment and stores was however not supported with adequate relevant documents.

Management Response

224. All Unsupported Expenditure on boarding equipment and stores totaling to Kshs.1,797,169.00 have been supported with the necessary support documents

Committee Observation

225. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.2.11 Undisclosed Student Council Expenses

226. The general ledger reflects an expenditure of Kshs.1,009,243 was incurred on student council expenses, while financial statements reflects nil balance.

Management Response

227. The management noted this anomaly as a bookkeeping error and ensured all figures in the financial statements are well supported through schedules as evidenced in the audited

financial statements for the FY2020/2021 and onwards.

Committee Observation

228. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.2.12 Variance in Activity Expenses

229. An unexplained variance of Kshs.930,249 for activity expenses between financial statement figure of Kshs. 1,978,050 and the supporting schedule amount of Kshs. 2,908,299.

Management Response

230. This was noted as a bookkeeping error but the Activity ledger was corrected to reflect the amount under Activity expense figure in the financial statements.

Committee Observation

231. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.2.13 Unsupported Expenditure on Tuition Expenses

232. Tuition expenses of Kshs. Kshs.17,876,217 includes an amount of Kshs.2743,365 which was not supported. Further, the balance included Kshs.276,500 paid for supply and delivery of one HP ProBook Laptop which is a non-current asset and should have been capitalized.

Management Response

233. The management provided all the support documents for the Unsupported Expenditure on Tuition Expenses and ensured the Probook laptop is capitalized in the subsequent period since it was a balance sheet item.

Committee Observation

234. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified the requisite documentation.

4.2.14 Development Fund Expenditure

235. The Kshs.7,774,463 incurred in respect of development fund expenses was capitalized as evidenced the subsequent audited statements.

Management Response

236. The Management also noted a bookkeeping error in general ledger provided in support of the development fund expenses which showed a balance of Kshs.12,213,012 instead of Kshs. 7,774,463.00. The corrected ledger schedule is attached as evidence. The expenditure of

Kshs.436,500 paid to a contractor in respect to project management expenses for construction of Kitui East TVC has been supported.

Committee Observation

237. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response, having verified the requisite documentation.

4.2.15 Misclassification Expenditure on Security Services

238. Total staff costs of Kshs.24,782,299 includes wrongly classified security services payments of Kshs.730,965.

Management Response

239. The management acknowledged this error and has ensured that expenditure on security services has been classified correctly and removed from staff cost expense, as evidenced in the subsequent annual report.

Committee Observation

240. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response, having verified the requisite documentation.

4.2.16 Accuracy and Ownership and Presentation of Property, Plant and Equipment

241. Note 21 to the financial statements for property, plant and equipment missing but instead a schedule is attached. The net book value in the schedule is indicated as at 30 June, 2019 instead of 30 June, 2020. Lack of a disclosure on the depreciation policy and fixed assets amounting to Kshs.6,327,433 procured during the year were not supported with relevant documents.

242. Management did not provide a fixed asset register, ownership of land where the Institute is located and valuation of the same.

Management Response

243. The management has developed a Finance policy manual which guides on the depreciation policy on Fixed Assets. The management has also ensured that all the subsequent reports contain a note on the depreciation policy.

244. The management corrected the errors in the PPE schedule in the subsequent annual reports. Missing disclosures have also been provided in all subsequent reports. The management has developed a fixed asset register.

245. The management is yet to acquire a title deed for the institute land but the process is in

progress. The management is working with Ministry of Education and the county government of Makueni to address the matter. We have also set aside a budget for this activity.

Committee Observation

246. The Committee observed that the Management Response was true that they had the finance policy and fixed asset register in place after verification of documents by the Office of the Auditor General.

247. However, the Committee observed that the institution lacked a title deed for its land, exposing it to risks including land encroachment, ownership disputes, potential loss of public property, and non-compliance with asset management and public accountability requirements.

Committee Recommendation

248. The Committee therefore recommends that management prioritizes the acquisition of the institution's land title within three (3) months upon adoption of this Report.

4.2.17 Unsupported Expenditure on Administrative Expenses

249. Figure for administrative expenses of Kshs.9,906,759 includes Kshs.693,400 paid to three staff members on account of travel to Rwanda to attend a CAPA 2019 International Conference but was not supported with relevant documents such as copies of passports to show the dates of entry and exit, breakdown of amount paid to each officer and back to office reports.

Management Response

250. All Unsupported Expenditure on administrative Expenses have been supported.

Committee Observation

251. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

4.2.18 Delayed Completion of Construction of Mentored Technical and Vocational Colleges

4.2.18.1 Machakos Technical and Vocational College Project

252. Proposed Machakos Town Technical and Vocational College construction contract was awarded to a local company at a contract sum of Kshs.59,941,226, as per contract agreement dated 22 May, 2019. Contract period was 52 weeks ending on 19th June 2020. Delay in project completion due to Client failure to pay Contractor.

253. It was noted that the contract period expired on 19 June, 2020, when the project was at 29.5%

completion level and as at time of audit on 18 March, 2021 the project was at 40% completion level.

Management Response

254. The Project has since been completed, all payments done to the contractor and the project handed over to the client. Practical Completion Certificate is available.

Committee Observation

255. The Committee observed that the project had been completed and subjected to all necessary verifications, thereby bringing the matter to a close.

4.2.18.2 Construction of Kitui East Technical and Vocational College

256. Proposed Kitui East Town Technical and Vocational College construction contract was awarded to a local company at a contract sum of Kshs.59,490,877, as per contract agreement dated 7 February, 2019. The contract period was one year from 28 February, 2019 to 28 February, 2020.

257. Project was 81% complete at the time the contract expired. Value of certified works as at 30th June 2020 was Kshs. 48,202,000 although the contractor had only been paid an amount totaling Kshs.29,089,073.

Management Response

258. The Project has since been completed, all payments done to the contractor and the project handed over to the client. Practical Completion Certificate is available.

Committee Observation

259. The Committee observed that the project had been completed and subjected to all necessary verifications, thereby bringing the matter to a close.

4.2.19 Award of Tenders to Non-Prequalified Firms

260. An amount of Kshs. 6,176,092 was paid for supply of goods and services to firms which had not been prequalified during the year under review.

Management Response

261. The updated supplier register had been misplaced by time of the audit but has since been located and forwarded to the Auditor General for verification. All the suppliers were in the updated prequalified list.

Committee Observation

262. The Committee observed that the matter had been resolved as the Auditor-General was

satisfied with the Management Response having verified the supplier register.

4.2.20 Lack of Risk Management of Policy

263. Lack of a Risk Management Policy and Disaster Recovery and Business Continuity Plan. The Institute did not have in place an approved Risk Management Policy and a Disaster Recovery and Business Continuity plan. The Institute therefore lacks a framework for identifying and mitigating against risks in case of a disaster.

Management Response

264. The management has developed a risk management policy. The management has initiated the process of developing the disaster recovery plan and Business Continuity policy and has even set aside a budget for the same in the FY 2023/2024 Budget.

Committee Observation

265. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified an existing and functional risk management policy.

4.3 Audited statements for Financial Year 2020/2021

266. The Committee observed that matters in this financial year have been addressed in the previous financial years and reiterates its recommendation.

5.0 MERU NATIONAL POLYTECHNIC

267. Mr. Mutembei Kigige, Principal, appeared before The Committee to adduce evidence on the audited accounts of Meru National Polytechnic, on 30th April 2024.

5.1 Audited statements for Financial Year 2018/2019

5.1.1 Variances Between Balances Reflected in the Financial Statements and Balances in the Notes to the Financial Statements

268. The financial Statements for the year ended 30th June, 2019 reflect balances that are at variance with the respective financial statements.

Management Response

269. An analysis of variances and explanations thereof has been detailed as below;

Items	Notes	Amount in the Note (Kshs.)	Amount in the Statement of	Explanation

			Financial Performance (Kshs.)	
Grants from the National Government	29	145,442,775	138,921,515	Financial statements amended to correct the errors.
Net surplus for the year	27	386,388,226	383,127,596	
Retained Earnings/Accumulated Surplus	28 (iv)	923,394,618	920,133,988	
Cash and Bank balances	28 (iv)	171,331,667	168,071,037	

Committee Observation

270. The Committee observed that the initial variances in the financial statements, which were later corrected. It also observed a shortage of skilled personnel, hindering effective financial oversight and institutional management.

Committee Recommendation

271. The Committee recommends that the Ministry prioritizes the recruitment of competent and suitably qualified staff in order to strengthen accountability mechanisms and improve the effectiveness of the institution's operations.

5.1.2 Inaccuracies in the statements of changes in Net assets

272. The statement of changes in net assets reflects Kshs.11,033,334 in respect to development grants. However, review of the results from the Ministry of Education revealed an amount of Kshs.94,214,142 resulting in an unexplained and unreconciled variance of Kshs.83,180,808.

273. In the circumstances, the accuracy of the Kshs 11,033,334 in respect to development grants balance for the year ended 30th June, 2019 could not be confirmed.

Management Response

274. The amount of Kshs.11,033,334 refers to the cumulative development funds as at 30th June, 2019 which excludes the mentored institution's disbursement to Meru National Polytechnic.

The amount received as development grants for the year is Kshs 3,260,630, disbursed as follows; Kshs1, 630,315.00 received on 15/10/2018 and Kshs1, 630,315.00 on 11/03/2019 as reflected in Appendix III of the financial report. Honorable Chair, we do not have details of Kshs.94,214,142 development grants reflected in the Ministry of Education records. We request for time to reconcile the two records. However, I want to confirm that Kshs.3,260,630 is all we received from the Ministry and reported as development grants in our financial statements for the year 2018-2019.

Committee Observation

275. The Committee observed that the major financial statement errors which create a loophole for embezzlement of funds.

Committee Recommendation

276. The Committee therefore reprimands the finance officer for failure to uphold the International Public Sector Accounting Standards (IPSAS).

5.1.3 Inaccuracies in Cash and Cash Equivalents

277. The statement of financial position and as disclosed in Note 20 to the financial statements reflects Kshs.168, 071,037 in respect to cash and cash equivalents. This includes adjusted cash book balances of Kshs 121,718,747 in three (3) cash books. However, the bank reconciliations reflects Kshs 8,927,747 in respect to the adjusted cash book balances for the three (3) cash books resulting in an unexplained and unreconciled variance of Kshs 112,794,045. Further, certificates of bank balances confirmation for two bank accounts were not provided for audit.

Management Response

278. The Financial position in relation to Cash and Cash equivalent is correctly stated. The adjustments are reconciliation amounts relating to unpresented cheques from three accounts as operations 108,244,043, 1,833,724 and 2,716,278 totaling to Kshs. 112,794,045 as per the attached cash book.

Committee Observation

279. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations.

5.1.4 Lack of Valuation Records

280. The statement of financial position and as disclosed in note 21 to the financial statements reflects Kshs 587,565,222 in respect to property plan and equipment. This includes Kshs

303,418,407 in respect to net book value of to property plan and equipment as at 30 June 2017 whose valuation records were not availed for audit review.

281. In the circumstances, the accuracy, completeness and valuation of the Polytechnic's fixed assets of Kshs.587, 565,222 as at 30 June 2019 could not be ascertained.

Management Response

282. The institution has since valued all its asset and adjusted the net book value of its assets. The net book value of property, plant and equipment is Kshs. 3,065,261,567 as at 30th June,2022 See Report of valuation dated 16th October 2020 and copy of 2021/2022 financial statements extracts reflecting the change.

Committee Observation

283. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified the requisite documentation to confirm valuation of all their property.

5.1.5 Inaccuracies in Government of Kenya (GOK) Grants

284. The Polytechnic financial performance and as disclosed in note 6 to the financial statements reflects Kshs 138,921,515 and Kshs 3,260,630 in respect to GOK recurrent and development grants respectively amounting to Kshs 142,182,145. However, records from the Ministry of Education reflects Kshs.104,259,629 and Kshs.6,521,260 all totalling to Kshs.110,780,889 resulting to unexplained and unreconciled variances of Kshs.31,401,256

285. In the circumstances, the accuracy of the Kshs.142,182,145 in respect to GOK grants for the year ended 30 June,2019 could not be ascertained.

Management Response

286. The disclose receipts from Government of Kenya of Kshs. 142,182,145, has been correctly disclosed in the statement of financial performance and as per the Polytechnic's Bank statements. Analysis of the Government of Kenya (GOK) Grants received during the year under review is as provided in Annex III of the financial report for the year under review. The Polytechnic will follow up with the State department of TVET to enable the reconciliation of the two records.

Committee Observation

287. The Committee observed that reconciliations were not done thus the issue remains pending.

Committee Recommendation

288. The Committee recommends that the management makes deliberate efforts to ensure reconciliation is done and the documentations verified to avoid any unnecessary accruals in future within three (3) months upon adoption of the report by the House.

5.1.6 Budgetary Control and Performance

289. The Polytechnic statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparative basis of Kshs.421,261,949 and 920,130,850 respectively resulting to over realization revenue of Kshs 498,868,901 of the budget. Similarly, the polytechnic incurred expenditure of Kshs 686,048,743 against approved budget of Kshs.421,261,949 resulting to an over expenditure of Kshs. 264,786,794 of the budget.

Management Response

290. The budget was overealised on tuition fees, as a result of high enrolment of student in the May, 2019 intake as a result of vigorous marketing exercise. Subsequently, the high enrolment resulted to increased expenditure on training materials hence over absorption on the general expenses.

Committee Observation

291. The Committee observed that the institution performed well in terms of raising revenue for the institution, however, they spent an amount over and above the approved budget without necessary approvals which is contrary to the law.

Committee Recommendation

292. The Committee recommends that the Accounting Officer should henceforth seek approval for any expenditure over and above the stipulated budget in accordance to Section 68(2) (a) of the Public Finance Management Act, Cap. 412A.

5.1.7 Noncompliance with law on Ethnic composition

293. The management of Meru National Polytechnic recruited twenty-nine (29) additional employees in the financial year under review. However, twenty-six (26) employees or 90% of the total recruited staff came from the dominant community contrary to section 7(2) of the National Cohesion and Integration Act, Cap.7N which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

294. In the circumstance, Meru National Polytechnic is in breach of the law.

Management Response

295. The advertisement for recruitment was for the low cadre jobs which included the workshop technicians and office assistants on a one-year contract basis hence attracted most of the locals.

Committee observation

296. The Committee observed that the institution is in breach of the law and there is no statistical data to show the efforts management has made to comply with the law.

Committee recommendation

297. The Committee recommends that the accounting officer should make deliberate efforts to ensure compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N.

298. The Committee further recommends that the institutions should include Persons living with disabilities in their workforce.

5.2 Audited statements for Financial Year 2019/2020

5.2.1 Understated Cash and cash equivalent-Stale cheques

299. The statement of financial position as at 30th June, 2020 reflects Kshs 592,526,615 in respect to cash and cash equivalents as disclosed in note 20 (a) to the financial statements. The balance includes Kshs 335,775030 in respect to operations bank account. Included in Kshs 335,775030 is Kshs 618,983 in respect to unpresented cheques which further includes Kshs 11,900 in respect to stale cheques that had not been replaced or reversed in the cash book as at 30th June 2020 and therefore understating the cash and cash equivalent for the year under review by the same amount.

300. In the circumstances, the accuracy and validity in respect to cash and cash equivalent balances as at 30th June, 2020 could not be ascertained.

Management Response

301. Honourable chair, it is true we had unpresented cheques of Kshs.618,983 which had not cleared at the close of the financial year. However, I want to confirm that the cheques have since cleared. Further, the cheques amounting to Kshs.11,900 indicated as stale had not gone stale by the close of the financial year but have since cleared as shown in the table below.

Payee	Chq No.	Amount	Payment Date	Date cleared in the bank
KUDHEIHA	16940	5,200	23/05/2020	03/09/2020

Jackline Wanja	17048	1,500	11/06/2020	04/09/2020
KUDHEIHA	17082	5,200	13/06/2020	13/09/2020

Committee Observation

332. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response, having verified the requisite documentation.

5.2.2 Unsupported value for Property, plant and equipment

333. The statement of financial position reflects Kshs 736,105,315 in respect to Property, plant and equipment as disclosed in Note 21 to the financial statements. As reported in the previous year, included in the balances of Kshs 303,418,407 in respect to net book value of Property, plant and equipment as at 30th June, 2017 whose valuation records were not provided for audit review.

334. In the circumstances, the accuracy, completeness and valuation of Polytechnic's fixed assets of Kshs 736,105,315 as at 30th June 2020 could not be ascertained.

Management Response

335. The institution has since valued all its asset and adjusted the net book value of its assets. The net book value of property, plant and equipment is Kshs. 3,759,312,478.

Committee Observation

336. The Committee observed that this matter had been addressed and reiterates its recommendation.

5.2.3 Budgetary Control and Performance

337. The statement of Budget comparison and actual amounts for the year ended 30th June,2020 reflects Kshs1,091,552,724in respect to approved budget for the year ended 30th June 2020and actual revenue of Kshs 818,676,870 resulting to revenue short falloff Kshs 272,875,854 or 24% Similarly, the statement reflects approved expenditure budget of Kshs 1,091,552,724 and actual expenditure of Kshs 506,657,066or 53%. Further the statement reflects an over expenditure of Ksh44, 617,260 with respect to general expenses which lack necessary approval

338. Based on the approved estimates, the under-funding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

339. The Management stated that under realization of revenue was as a result of the onset of the Covid-19 pandemic, which led to the closure of the institution in February. This affected the January and May 2020 enrollments. Similarly, the under absorption of expenditure was also due to the early closure of the institution due to Covid-19 and limited activities due to closure of the institution.

340. The over expenditure on general expenses was as a result of the government directive on implementing mitigation measures against the spread of the Covid-19 virus through installation of hand wash areas, procurement of masks, and fumigation of offices that led to the unexpected increase in general expenditure.

Committee Observation

341. The Committee observed that this matter had been addressed and reiterates its recommendation.

5.2.4 Presentation of the Financial Statements

342. The Finance officer did not indicate his Institute of Certified Public Accountants of Kenya (ICPAK) membership number, contrary to the Public Sector Accounting Standards Board (PSASB) template issued on June 2020.

343. In the circumstance, the presentation of the Polytechnic's financial statements for the year ended June 2020 does not comply with the PSASB-prescribed format.

Management Response

344. Being a requirement as per the reporting template, the institution has since engaged a finance officer who is a member of ICPAK and in good standing, ICPAK No. 27496.

Committee Observation

345. The Committee observed that the finance officer at the time was not qualified according to the requirements of the position he held. The management further acknowledged that he was since redesignated to security officer.

Committee Recommendation

346. The Committee recommends that the Accounting Officer recovers the money illegally paid during his tenure.

5.2.5 Non-Compliance with the law on Ethnicity composition

347. The statement of financial performance for the year ended 30th June 2020 reflects Kshs 110,194,686 in respect to employee cost as disclosed in Note 15 to the financial statements. A review of the human resource records revealed that the management of Meru National Polytechnic recruited five (5) additional employees in the financial year under review. However, four (4) employees or 80% of the total recruited staff came from the dominant community contrary to section 7 (2) of the National Cohesion and Integration Act,2008which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

348. In the circumstances, the Polytechnic is in breach of law.

Management Response

349. The advertisement for the positions during the period under review was for Council trainers for subject specialists in different departments. These are usually temporary positions (three months contract employment) which are meant to fill the shortfall of trainers in the institution. The institution recruits temporary trainers as it awaits recruitment/deployment of Public Service Commission (PSC) trainers. Due to the terms (short contract) of employment, the vacancies attracted mostly the locals.

Committee Observation

350. The Committee observed that this matter had been addressed and reiterates its recommendation.

5.2.6 Training Expense-Students

351. The statement of financial performance for the year ended 30th June 2020 also reflects general expenses of Kshs257, 217,109 as disclosed in Note 19 of the financial statements. Included in the expenditure is Kshs191, 204,100 in respect of training expenses –students which further include Kshs 1,376,055 paid to National Industrial Training Authority (NITA) for levy arrears of which Kshs 1,027,455 (75%) was in respect to penalties for failure to remit NITA levies from 2007 up to 2019. The expenditure could have been avoided if the Polytechnic paid the levy on time. No justification was given by the management why the levies were not paid on time.

352. Further, review of records availed for audit revealed that included in the Kshs 191,204,100 is Kshs 4,659,459 spent on payment for KNEC exams practical materials and uniforms for

students undertaking food and beverage course. The Kshs 4,659,459 comprised of Kshs1, 604,450, Kshs 1,518,154 and Kshs 1,536,855 paid to three companies using Request for quotations method of procurement. However, the amount involved in each procurement was above the thresh hold provided in the Legal notice No 103 of 2013 of Kshs 1,500,000 for a class B procuring entity.

353. In the circumstance, the value for money for Kshs 1,027,455 and Kshs 4,659,459 in respect of penalties and KNEC exam practical, materials and uniforms for students could not be ascertained and the Polytechnic is in breach of law with regard to procurement of KNEC exam practical materials and uniforms.

Management Response

354. Honourable, chair, the Ksh.1,027,455 paid as penalties to NITA was as a result of non-remittance of monthly levies to NITA. Until 2019 when the payment was made, the Polytechnic had not been registered by NITA during the year; NITA made an inspection for compliance, sensitized and registered the institution but however, back dated to 2007, when the NITA Levy Act was enacted. I wish to confirm that since then, we have complied with the remittance See the latest remittance for the month of March, 2024.

355. Although as reported the training materials indicates that the procurement was threshold were exceeded, the amounts indicated as of Kshs1,604,450, Kshs 1,518,154 and Kshs.1,536,855 paid to three companies, they are a combination of various local purchase orders to the same supplier to reduce the cost of bank charges. Honorable chair, I wish to confirm that the procurement threshold for Request of Quotation was not exceeded.

Committee Observation

356. The Committee observed that the management's response is valid however they did not provide corresponding documentations on time.

Committee Recommendation

357. The Committee recommends that the Accounting Officer must at all times ensure that he/she avails supporting documentation to the financial statements within (3) three months after the end of the financial year pursuant to section 68 (2) (k) of the PFM Act, Cap. 412A.

5.3 Audited statements for Financial Year 2020/2021

5.3.1 Lack of Valuation Records

358. The statement of financial position reflects a net book balance of Kshs.3,759,312,478 under property, plant and equipment and as disclosed in Note 20 to the financial statements. As reported in the previous year, included in the Kshs.3,759,312,478 is Kshs.303,418,407 in respect of net book value of property, plant and equipment as at 30 June, 2017 whose valuation records were not provided for audit review.

359. In the circumstances, the accuracy, completeness and valuation of the Polytechnic's fixed assets balance of Kshs.3,759,312,478 could not be confirmed.

Management Response

360. The institution has since valued all its asset and adjusted the net book value of its assets. The net book value of property, plant and equipment is Kshs.3,065,261,567 as at 30th June,2022 See Report of valuation dated 16th October 2020 and copy of 2021/2022 financial statements reflecting the change.

Committee Observation

361. The Committee observed that this matter had been addressed and reiterates its recommendation.

5.3.2 Use of Manual Payroll

362. The statement of financial performance reflects an expenditure of Kshs.107,185,745 under employee costs and as disclosed under Note 14 to the financial statements. The amount includes an expenditure totalling Kshs.83,291,397 in respect to salaries and wages. Analysis of the payrolls revealed that out of the Kshs.83,291,397 paid as compensation to employees, Kshs.8,033,770 (10%) was processed through the manual payroll, which could be prone to human error and manipulation.

363. In the circumstances, the accuracy and completeness of Kshs.83,291,397 in respect to compensation of employees could not be confirmed.

Management Response

364. The manual payroll of Kshs.8,033,770 is in respect to casual employees who includes farm attendants, cleaners and cooks engaged under short term contracts. Chair, I want to confirm that adequate internal controls have been put in place to mitigate on human errors and manipulation.

Committee Observation

365. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified the requisite documentation.

5.3.3 Budgetary Control and Performance

366. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.600,000,000 and Kshs.524,861,275 respectively resulting to an under-funding of Kshs.75,138,725 or 13% of the budget. Similarly, the polytechnic expended Kshs.448.601,298 against an approved budget of Kshs.600,000,000 resulting to an under-expenditure of Kshs.151,398,702 or 25% of the budget.

367. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

368. The under realization was due to the low enrollment hence less revenue due to the Covid pandemic which affected the enrolment. On expenditure, the under absorption was due to less student activity due to Covid-19 which included less student trips, cancellation of drama, sports activities and the low enrollment hence less cost of utilities in the hostels and low procurement of training materials

Committee Observation

369. The Committee observed that this matter had been addressed and reiterates its recommendation.

5.3.4 Irregular Procurement of Repairs and Maintenance

370. The statement of financial performance reflects an expenditure of Kshs.49,597,843 in respect to repairs and maintenance and as disclosed under Note 17 to the financial statements. The amount includes Kshs.1,553,291 in respect to repair and maintenance of vehicles. Audit review of an amount totalling to Kshs.433,700 revealed the following procurement irregularities.

371. There was no evidence that the accounting officer had appointed an ad hoc opening committee and evaluation committee as required by Regulation 91(2) of the Public Procurement and Asset Disposal Regulations, 2020.

372. The tender opening minutes and the tender evaluation report were not provided for audit review.

Further, the signed professional opinion was not provided as required by Section 84(1) of the Public Procurement and Asset Disposal Act, Cap. 412C.

373. The evidence that the accounting officer had appointed an Ad Hoc Inspection and Acceptance Committee was not provided. This is contrary to the requirement of Section 48(1) of the Public Procurement and Asset Disposal Act, Cap. 412C.

374. In the circumstances the Polytechnic is in breach of the law.

Management Response

375. During the period under review, the request of Quotation method of procurement did not have appointed committees but performed quotation analysis and selected the lowest quoted bidder, since then, the institution has complied with the auditor's recommendation and all procurements have an appointed opening Adhoc committee and inspection and acceptance committee. Since then, through the recommendation of the Auditors, all procurements have an appointed Adhoc opening Committee, Appointed Adhoc evaluation committee and an appointed Adhoc inspection and acceptance committee.

Committee Observation

376. The Committee observed regularization and existence of an Adhoc committee and inspection and acceptance committee thus, the issue is resolved.

5.3.5 Non-Compliance with Staff Ethnic Balance

377. Review of the master roll revealed that the Polytechnic had a total of 368 employees. However, an analysis of the ethnicities of the recruited staff revealed that the Polytechnic was non-compliant with section 7(2) of the National Cohesion and Integration Act, Cap. 7N which requires that no public establishment shall have more than one third of its staff from the same ethnic community. However, 53% (195) of its employees were from one community.

378. In the circumstances, the Polytechnic was in breach of the law.

Management Response

379. When the Institution was a technical Institution, it attracted very many locals. In the state of National Polytechnic, the institution has been able to attract applicants nationally which has really improved the majority group from the previous 87% to 53% in a span of one year.

Committee Observation

380. The Committee observed that this matter had been addressed and reiterates its recommendation.

6.0 CHUKA TECHNICAL AND VOCATIONAL COLLEGE

381. Mr. Peter Rubia Kamau, Principal, accompanied by;

(i) Ms. Lilian Kerera- Procurement Officer

(ii) Mr. David Ndung'u- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Chuka Technical and Vocational College, on 26th May 2025.

6.1 Audited statements for Financial Year 2021/2022

6.1.1 Inaccuracies in the Statement of Financial Position

382. The Statement of financial position reflects inventories and total assets comparative balances of Kshs.1,919,548 and Kshs.25,583,004 respectively. However, the previous years audited financial statements reflects Kshs.2,241,899 and Kshs.25,905,355 respectively resulting to an unexplained variance of Kshs.322,351 in both the inventories and the total assets balances.

383. Further, Note 29 to the financial statements reflects inventories comparative balance of Kshs.2,241,899. However, the statement of financial position reflects inventories comparative balance of Kshs.1,919,548 resulting to unexplained variance of Kshs.322,351.

Management Responses

384. We will ensure that inventories and total assets balances of one year and comparative for the following year agree in future.

Committee Observation

385. The Committee observed that the matter has since been corrected in the subsequent financial statements and is therefore considered resolved.

6.1.2 Inaccuracies in the Statement of Changes in Net Assets

386. The statement of changes in net assets reflects capital/development grants amounting to Kshs.5,329,274 which includes Kshs.4,797,551 additional capital grants during the year described as additional assets out of paid creditors whose details were not provided for audit. Further, Note 6(a) to the financial statements reflects that there was no amount recognized in capital fund during the year since the entire receipts were recognized in the statement of comprehensive income.

387. Further, the statement reflects an amount of Kshs.21,173,413 and Kshs.1,448,498 in respect

to retained earnings and capital/ development grants fund respectively both totaling to Kshs.22,621,911 as at 30 June, 2021. However, the previous years audited financial statements reflects Kshs.20,626,769 and 2,317,493 in respect to the items both totaling to Kshs.22,944,262 resulting to unexplained variance of Kshs.322,351.

388. In the circumstances, the accuracy and completeness of the above balances in the statement of changes in net assets could not be confirmed.

Management Responses

389. We will ensure that additional assets are reflected to the notes. We will ensure that retained earnings and capital/development grants of one year and comparative for the following year agree in the future.

Committee Observation

390. The Committee observed that the institution has engaged valuers, and the tagging of assets has commenced. However, details of the capital grants amounting to Kshs. 4,797,551 have not been provided and the variance has not been adequately explained.

Committee Recommendation

391. The Committee recommends that the Management expedites the completion of the asset valuation and tagging exercise and ensures that comprehensive and verifiable details of the capital grants amounting to Kshs. 4,797,551 are provided to support the balances reported in the financial statements.

392. The Management should further reconcile and adequately explain the noted variance to ensure accuracy and accountability in financial reporting

6.1.3 Unsupported Activities Expenses

393. The statement of financial performance and as disclosed in Note 15 to the financial statements reflects use of goods and services amounting to Kshs.16,019,517 which includes Kshs.1,866,303 for activities expenses which further includes Kshs.432,600 paid to an officer as daily subsistence allowance to attend various sporting activities and robotics competitions. However, imprest warrants, activity programs and evidence of travel to attend the said programs in order to account for the amount of subsistence allowance were not provided for audit.

394. In the circumstances, the accuracy and completeness of the activities expenses

amounting to Kshs.432,600 could not be confirmed.

Management Responses

395. Activity programs and evidence of travel to attend the said programs have been provided.

Committee Observation

396. The Committee observed that imprest warrants and evidence of travel was not provided for verification, thus the accountability of Kshs.432,600 could not be determined.

Committee Recommendation

397. The Committee reprimands the finance officer for failure to provide documentation such as imprest warrants, for verification. As a result of this, the Committee further demands recoverability of the monies therein within three (3) months upon adoption of the report by the House.

6.1.4 Unsupported Receivables from Exchange Transactions

398. The statement of financial position and as disclosed in Note 27(a) to the financial statement reflects current receivables from exchange transactions balance of Kshs.8,651,576 which represents the total outstanding students fees as at 30 June, 2022. However, and as reported in the previous year, the Management did not provide for audit a schedule detailing the dates when the income (fees) was recognized and there was no ageing analysis for students' debtors to show how long the amount has been outstanding.

399. In addition, the student debtors increased from Kshs.3,319,751 to Kshs.8,651,576 representing an increase of Kshs.5,331,825 or 160% which may be an indication of ineffective debt collection strategies.

400. Further, the statement of financial performance and as disclosed in Note 10(a) reflects Kshs.17,974,395 as revenue from exchange transactions for the year and there was a balance brought forward of Kshs.3,319,751 in respect to outstanding students' debt as disclosed in 27(a) both totalling to Kshs.21,294,146. The actual receipts from students during the year was Kshs.15,413,013 as disclosed in the statement of cash flows and Note 10(b) to the financial statements. However, the recalculated outstanding student debtors being the total amount due of Kshs.21,294,146 less actual receipts of Kshs.15,413,013 reflects Kshs.5,881,133 resulting to an unexplained variance of Kshs.2,770,443.

401. In the circumstances, the accuracy, completeness and recoverability of the student debtors

balance of Kshs.8,651,576 could not be confirmed.

Management Responses

402. The schedule detailing the dates when the income (fees) was recognized and ageing analysis for students' debtors for Kshs.8, 651,576 is available.

403. The management is putting in place various measures on fees collection by;-

i. Encouraging students to apply HELB Loan for offsetting debts.

ii. Clearance of students before signing out their KNEC certificates

iii. Encouraging student apply for NG-CDF bursaries.

404. We will ensure that proper comparison of opening balance, fee charged during the FY and fee received during the year will be workable to get the fee balance at the end of the year in the future.

Committee Observation

405. The Committee observed that the institution has not established a formal fee collection policy and further noted the existence of an unreconciled variance in the reported fee balances, which had not been satisfactorily explained in the financial statements.

Committee Recommendation

406. The Committee recommends that the Management to put in place a fee collection policy and to reconcile the variance in the subsequent financial statements. The office of the Auditor General to report on the matter in subsequent audits.

6.1.5 Undisclosed Land and Buildings

407. The statement of financial position and as disclosed in Note 31 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs.5,329,274 which includes additional buildings during the year valued at Kshs.3,506,150. The value of land and buildings brought forward from the previous year was nil and as reported in the previous year, physical verification revealed that the College occupies a piece of land measuring 13.68 hectares and had a number of buildings of unknown value as at 30 June, 2022.

408. Although the Management indicated that the process of transferring the land to the College was ongoing, documents in support of the process such as agreement and allotment letter were not provided for audit.

409. In the circumstances, the completeness, ownership and valuation of property, plant and

equipment balance of Kshs.5,329,274 could not be confirmed.

Management Responses

410. The college inherited the land from the Mentor institution without complete land documents. The management is currently following up the title deed in the name of the college. The valuation of property, plant and equipment is currently in progress.

Committee Observation

411. The Committee observed that the land and the other buildings have not yet been captured in financial statements and the land title still indicates that the land belongs to Tharaka Nithi County.

Committee Recommendation

412. The Accounting Officer is directed to liaise with the Tharaka Nithi County CEC responsible for land to ensure that the title deed is obtained within one month of appearing before the Committee.

6.1.6 Budgetary Control and Performance

413. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.72,408,751 and Kshs.31,509,395 respectively resulting to an under-funding of Kshs.40,899,356 or 56% of the budget. Similarly, the Fund expended Kshs.22,520,385 against an approved budget of Kshs.72,408,751 resulting to an under- expenditure of Kshs.49,888,366 or 69% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Responses

414. During the financial year the capitation wasn't disbursed fully in all quarters as planned hence leading to underfunding and under performance.

Committee observation

415. The Committee observed that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

416. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.

417. Further, the Institution is encouraged to develop other income-generating activities to increase

its cash flow so as not to depend on government funding only.

6.1.7 Failure to Obtain Authority to Open a Bank Account

418. The statement of financial position and as disclosed in Note 26 to the financial statements reflects cash and cash equivalent balance of Kshs.20,239,784 as at the end of the year. However, the Management did not provide a list of all bank accounts operated. This is contrary to Regulation 87(3) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer of a national government entity shall provide the National Treasury with an up-dated list of bank accounts held by the national government entity. In addition, the College did not have the authority to open and operate the fees and capitation bank accounts at Equity Bank. This is contrary to Section 28 (1) of the Public Finance Management Act, Cap. 412A which stipulates that the National Treasury shall authorize the opening, operating and closing of bank accounts and sub-accounts for all national government entities.

419. Further, the Management did not present monthly bank reconciliation statements to the Auditor General. This is contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General.

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

Management Responses

421. The list of all bank accounts operated is available. The management is also acquiring the authority to open and operate bank accounts for the college. All monthly bank statements are available.

Committee Observation

422. The Committee observed that the institution operated the bank accounts without approval from the National Treasury.

Committee Recommendation

423. The Committee reprimands the Principal for operating accounts without the requisite approvals and directs that the operation of the said accounts be discontinued until the

necessary approvals are obtained. The Principal is further required to provide the bank statements from 26th May 2025 upon reappearing before the Committee.

6.1.8 Fixed Assets Register

424. Review of the fixed assets register revealed that critical information such as location of the assets, description, respective cost and serial numbers were not reflected in the register. Further, physical verification of the assets revealed that the assets were not tagged for ease of identification and movement. This is contrary to Section 139(1) and (2) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; and that movement and conditions of assets can be tracked.

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

Management Responses

426. Fixed Assets Register with all critical information, such as location of the assets, description and respective cost is currently available. The process of rebelling is currently ongoing.

Committee Observation

427. The Committee observed that the Asset tagging had not yet been done.

Committee Recommendation

428. The Committee recommends that the accounting officer, to fast-track the matter and ensure compliance with Regulation 139 (1) and (2) & 143 of the Public Finance Management (National Government) Regulations, 2015 within one month of appearing before the Committee.

6.1.9 Failure to Constitute a Public Finance Management Standing Committee

429. During the year under review, the College Management did not constitute a Public Finance Management Standing Committee to provide strategic guidance to the College on public finance management matters. This is contrary to Regulation 18 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that every national government entity should establish a committee to be known as the Public Finance Management Standing Committee to provide strategic guidance to the entity on public finance management matters.

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

Management Responses

431. The college has addressed its cost in the current budget.

Committee Observation

432. The Committee observed that the Public Finance Management Standing Committee has not been constituted.

Committee Recommendation

433. The Committee recommends that the accounting officer fast-track the matter and ensures compliance with Regulation 18 (1) of the Public Finance Management (National Government) Regulations, 2015 within one month of appearing before the Committee.

6.1.10 Lack of Internal Audit Function

434. The College had not established an internal audit function This is contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. As such the College did not benefit from the assurance and advisory services from the internal audit function

435. In the circumstances, the existence and effectiveness of internal controls could not be confirmed.

Management Responses

436. During the period under review, the College was very young, had no enough fund to conduct an internal audit exercise.

Committee Observation

437. The Committee observed that the institute is currently relying on audit services from the neighboring college due to budgetary constraints.

Committee Recommendation

438. The Committee recommends that the accounting officer fast-track the matter and ensure compliance with Section 73(1)(a) of the Public Finance Management Act, Cap. 412A, which mandates that every national government entity must maintain proper internal auditing arrangements. This provision ensures risk management, control, and governance, often requiring the establishment of an audit committee to oversee these functions.

6.1.11 Lack of Risk Management Policy and Strategy

439. The College Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is contrary to Section 165 of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

440. In the circumstances, effectiveness of the risk management strategies could not be confirmed.

Management Responses

441. The College was very young, had no enough fund but currently the management has initiated the process of developing a risk management policy as recommended.

Committee Observation

442. The Committee observed that the Risk Management Policy is in a draft format, awaiting approval from the Board of Governance.

Committee Recommendation

443. The Committee recommends that the management should ensure compliance with Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to take ownership of identifying, assessing, and mitigating risks within their entities to ensure the proper management of public finances.

6.2 Audited Statements for Financial Year 2022/2023- (Qualified Opinion)

6.2.1 Unsupported Current Portion of Receivables from Exchange Transactions

444. This matter has been addressed by the Committee in the previous financial year and the Committee reiterated its recommendations.

6.2.2 Unsupported Caution money

445. The statement of financial position and as disclosed in Note 23 to the financial statements reflects refundable deposits from customers balance of Kshs.689,022 relating to money paid by students. However, management did provide a schedule reflecting the names of the

students, admission numbers, date of enrollment and status of whether the students have completed their studies or not.

446. Further no evidence was provided to confirm that the management has complied with Section 19 (1) of Unclaimed Financial Assets Authority Act, Cap. 494 which states that a holder of assets to which this Act applies shall make all reasonable efforts to locate the owner and to notify the owner about those assets presumed abandoned and subject to the custody of the Authority as unclaimed assets under this Act shall make report concerning the assets to the Authority as provided in this section.

447. In these circumstances, the accuracy and completeness of caution money balance of Kshs. 689,022 could not be confirmed. In addition, management was in breach of the law.

Management Responses

448. The schedule reflecting the names of the students, admission number, date of enrolment and status of whether the students have completed their studies or not are available. The students caution money is reimbursed once clearance is made.

Committee observation

449. The Committee observed that the matter has been addressed as all the payment schedules were provided to the Office of the Auditor General for verification.

6.2.3 Unsupported Use of Goods and Services

450. The statement of financial performance reflects an amount of Kshs.31,281,884 in respect of use of goods and services as disclosed under Note 10 to the financial statements out of which payments of Kshs.235,290 were not supported by duly signed payment schedule, payment requisition and authorization.

451. In the circumstances the accuracy and completeness of use of goods and services amount of Kshs 235,290 could not be confirmed.

Management Responses

452. The Management stated that the signed payment schedule, Payment requisition and it's authorization are available.

Committee observation

453. The Committee observed that the requisition and authorization for the goods and services were not provided.

Committee recommendations

454. The Committee reprimands the Accounting Officer and the Procurement Officer for providing false information to the Committee. The Office of the Auditor-General is directed to review the documents and submit a report to the Committee within one month of the institution's appearance before the Committee.

6.2.4 Inaccuracy in the statements of cash flows

455. The statement of cash flows reflects Nil net cash flows from operating activities. However, a recast of the statement results in the net cash flows from operating activities amount of Kshs (12,460,403) leading to a variance 0f Kshs.12,460,403 which has not been reconciled or explained.

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

Management Responses

457. Correction will be made in the subsequent year's Financial Statements. Payment schedule, payment requisition in respect to the amount of Kshs 235,290 currently available.

Committee observation

458. The Committee observed that the matter is addressed as the cash flow statement was corrected and confirmed in the subsequent financial year.

6.2.5 Budget Control and Performance

459. This matter has been addressed by the Committee in the previous financial year and the Committee reiterated its recommendations.

6.2.6 Unresolved Prior Year Audit Issues

460. In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public raised by the auditor, the issues remain unsolved as at 30 June,2023 contrary to the Public Finance Management Act, Cap. 412A.

Committee observation

461. The Committee observed that the unresolved prior year audit matters have been addressed by the Committee.

6.2.7 Lack of approved Staff Establishment

462. The college's management did not maintain a staff establishment contrary to section A.15 (vii) of the Human Resource policies and procedures manual Resource management

Advisory committees entail making recommendations to the Authorized Officer regarding Establishment and complement control. Further, section 26 of public service commission Act, 2017 states that for the purpose of this part, "establishment of offices in the public service "means the determination and creation of the number and kinds of offices in the public service.

463. Further, review of personal files revealed missing documents such as identification documents (ID) National Social Security Fund (NSSF) details, National Hospital Insurance Fund (NHIF) numbers, and Kenya Revenue Authority (KRA) Personal Identification Number (PIN).

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

Management Responses;

465. The Management stated that there is Staff Establishment is currently in place.

Committee observation

466. The Committee observed that the institution demonstrated a lack of understanding of a staff establishment. The document presented was a single-page summary listing staff groups and salaries, which were inadequately structured and poorly allocated.

Committee Recommendation

467. The Committee recommends that the Management develops and submits for approval a comprehensive and properly structured staff establishment detailing approved positions, grading structure, job classifications, reporting lines, and corresponding remuneration in line with the institution's mandate and applicable human resource policies.

6.2.8 Lack of advertisement on staff

468. The statement of financial performance as disclosed in Note 12 to the financial statements reflects an amount of KES. 8,048,637 in respect to employee costs. However, the college advertised vacant positions as follows; Building and Civil Engineering Trainer (4 posts), Electrical and Mechanical Engineering Trainer (3 posts), Business (2 posts), Fashion and design (1 post), beauty (1 post). However, no advertisement was made for at least 21 days and this is contrary to Section B4.1 of the Public Service Commission Human Resource Policies and Procedures, 2016 which states that ministries/State departments will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advertisement.

469. Under these circumstances, the Management is in breach of the law.

Management Responses

470. Short notice of advertisement was due to a sudden resignation of a number of staff hence urgent deed of trainers for replacement.

Committee observation

471. The Committee observed that the institution did not provide an adequate explanation for failure to comply with the law.

Committee recommendations

472. The Committee recommends that the institution establish a policy on staff resignations to ensure adequate notice is provided, and to always ensure compliance with Section B4.1 of the Public Service Commission Human Resource Policies and Procedures Manual, 2016

6.2.9 Lack of Internal Audit Function and Audit Committee

473. This matter has been addressed by the Committee in the previous financial year and the Committee reiterated its recommendations.

6.2.10 Incomplete Enterprise Resource Planning (ERP) system

474. Review of the ERP system revealed that the ERP system did not have a voucher processing and asset management modules. The documents are prepared and maintained in excel which is prone to errors.

475. In the circumstances, the effectiveness of the system and internal controls could not be confirmed.

Management Response

476. The college procured ERP system on January 2023 and it was in picking stage training staff. Payment vouchers are from manual and other from the system.

Committee observation

477. The Committee observed that voucher processing has not yet been effected through the ERP system.

Committee recommendations

478. The Committee recommends that the Management ensures that all voucher processing is fully migrated to and effected through the Enterprise Resource Planning (ERP) system without further delay, in order to enhance transparency, accountability, and efficiency in financial management.

6.2.11 Failure to Tag Assets

479. This matter has been addressed by the Committee in the previous financial year and the Committee reiterated its recommendations.

7.0 KAELO TECHNICAL TRAINING INSTITUTE

480. Ms. Cecilia Mwongera, Principal, accompanied by;

Mr. Moses Kainga- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Kaelo Technical Training Institute, on 14th August 2024.

7.1 Audited statements for Financial Year 2020/2021

7.1.1 Inaccuracies in Financial Statement

481. The financial position reflects cash and cash equivalent balance of Kshs.37,540 whereas Note 26 to the financial statements reflects a Nil balance.

482. Note 26(a) reflects a cash and cash equivalent opening balance of Kshs.73,375 whose source and accuracy could not be established.

483. financial position reflects Nil balance for receivables from non-exchange transactions, while the corresponding Note 28 to the financial statements reflects a balance of Kshs.2,835,000.

484. Revaluation reserve and Kshs.73,375 relating to capital fund. whose source and accuracy is unknown as this was the first year of audit.

Management Response

485. The Management stated that the error was adjusted in subsequent year.

486. The Management stated that the supporting documents attached.

487. The Management stated that they have debts management policy in place and ledger for aging debtors analysis provided to auditors.

488. The Management stated that the supporting documents were attached.

Committee Observation

489. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified subsequent documentations.

7.1.2 Unsupported Receivables from Exchange Transactions

490. Receivables of Kshs.8,385,840. Whose status and supporting evidence such as Debt Management Policy, listing of the student debtors or any other evidence was not provided.

Management Response

491. The Management stated that the supporting documents were provided to the auditor.

Committee Observation

492. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documentations.

7.1.3 Unsupported Use of Goods and Services Expenditure

493. Local traveling and accommodation amount of Kshs.286,135, out of which a payment Kshs.120,200 did not have supporting documents including authority to use own vehicle where applicable, return to office reports, participation certificates, and attendance registers.

Management Response

494. The Management stated that they provided the supporting documents to the auditor.

Committee Observation

495. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documentations.

7.1.4 Unsupported Property, Plant and Equipment Balance

496. Financial position reflects a Nil balance in respect to property, plant and equipment. The College has two (2) parcels of land measuring ten (10) acres, buildings, office furniture and computer acquired from the College's mentoring institution. However, the College has not conducted valuation of the property

Management Response

497. The Management stated that the building was not handed over officially and the valuation of equipment has been done.

Committee Observation

498. The Committee observed that the valuation of the property was complete however the building was not handed over by the mentor institution.

Committee Recommendation

499. The Committee recommends that the management makes deliberate efforts to have the buildings under their authority to avoid unnecessary damages in the future.

7.1.5 Unsupported Cash and Bank Balance

500. Kshs.37,540 in respect of cash and cash equivalents was not supported by board of survey report, cashbook and bank reconciliation statements were not provided for audit.

Management Response

501. The Management stated that the supporting documents were provided to the auditor.

Committee Observation

502. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documentations.

7.1.6 Budgetary Control and Performance

503. Final receipts budget and actuals of Kshs.8,378,700 and Kshs.5,277,030 resulting to underfunding of Kshs.3,101,670 or 37% of the budget. Similarly, the College spent Kshs.2,243,515 against a budget of Kshs.8,378,700 resulting to an under-expenditure of Kshs.6,135,185 or 73% of the budget.

Management Response

504. Measures put in place to enhance revenue collection and proper planning to ensure full absorption of expenditure.

Committee observation

505. The Committee observes that under funding of learning institutions is a matter that is cross- cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

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

Committee Recommendations

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

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

7.1.7 Non-Remittance of statutory Deductions

509. Kshs. 585, 180 in respect of compensation of employees. The amount includes, National Social Security Fund (NSSF) statutory deductions for six (6) months equivalent of Kshs. 74,232 that had not been remitted.

Management Response

510. The Management stated that the deductions were duly remitted.

Committee Observation

511. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documentations showing the remitted deductions.

7.1.8 Unapproved budget

512. Revenue budget of Kshs. 8,378,700 and expenditure budget of Kshs. 8,378,700. However, the approval by Ministry of Education, Science and Technology was not provided for audit review

Management Response

513. The Management stated that the Budget was approved through Mentor Institution.

Committee Observation

514. The Committee observed that the management was in breach of Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by executing an unapproved budget.

Committee Recommendation

515. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by obtaining formal approval of the Institute's budget from the Ministry prior to its execution, and retaining evidence of such approval for audit purposes.

7.1.9 Lack of internal audit

516. The college has not established an internal audit function, this is contrary to Section 73(1)(a) of Public Finance Management Act, Cap. 412A.

Management Response

517. The Management stated that the institute had outsourced the service of internal auditor from mentor's institution

Committee Observation

518. The Committee observed that the institution outsources the services of internal audit as they do

not have the capacity to fully employ qualified personnel.

Committee Recommendation

519. The Committee recommends that the Accounting Officer ensures compliance of Section 73(1)(a) of the Public Finance Management Act, Cap.412A, which mandates that every national government entity must maintain proper internal auditing arrangements. This provision ensures risk management, control, and governance, often requiring the establishment of an audit committee to oversee these functions.

8.0 TIGANIA EAST TECHNICAL AND VOCATIONAL COLLEGE

520. Mr. George Kiunga, Principal, accompanied by;

i) Ms. Mary Kawera- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Tigania East Technical and Vocational College, on 14th August 2024.

8.1 Audited statements for Financial Year 2020/2021

8.1.1 Understated Property, Plant, and Equipment

521. Kshs. 610,000 under property, plant and equipment. However, the College owns buildings on land which is registered in the name of Ministry of Cooperative Societies. Further, furniture and technical training equipment have been omitted in the financial statements

Management Response

522. Consultation with the Antuamburi Coffee Factory officials (Under the Ministry of Cooperative Societies) to resolve the registration issue.

Committee Observation

523. The Committee observed that there was no proper handing over of the institution's buildings from the Ministry of Cooperative Societies.

Committee Recommendation

524. The Committee recommends the management of the institution to make deliberate efforts to have buildings under their name within six (6) months upon adoption of the report by the House.

8.1.2 Unsupported Revenue from Exchange Transactions

525. Kshs, 5,491,480 in respect to rendering of services – fees from students. However, with

details of the fees invoiced to the students, payments to date and any other outstanding tuition fees receivable by names of students, course taken, academic year and admission numbers

Management Response

526. The Management stated that the Records with details were provided to auditor.

Committee Observation

527. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documents.

8.1.3 Budgetary Control and Performance

528. Reflects final receipts budget totalling to Kshs. 7,642,000 and actual receipt balance of Kshs. 1,322,653 resulting to underfunding balance of Kshs 6319,347 or 82% of the approved budget.

529. Similarly, the statement reflects an approved expenditure of Kshs. 7,642,000 and actual expenditure of Kshs. 2, 583,152 resulting to a budget under absorption of Kshs. 5,035, 748 or approximately 66% of the budget.

Management Response

530. The Management stated that there were delays in the disbursement of funds.

Committee Observation

531. The Committee observed that under funding of the learning institutions is a matter that is cross- cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

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

Committee Recommendations

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

534. The Committee further recommends that the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

8.1.4 Non-Compliance with Public Sector Accounting Standards Board Requirements

535. The financial statements revealed deviations from the financial reporting template issued by the Public Sector Accounting Standards Board as shown below

Management Response

536. The Management stated that the errors were corrected in subsequent years.

Committee Observation

537. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified supporting documents.

8.1.5 Non-Gazettement of Board Members

538. It was noted that seven (7) Board of Governors had been issued with written appointment letters and appended their acceptance yet the members had not been gazetted.

Management Response

539. The Management stated that they have initiated efforts to liase with Ministry to gazette the respective Board Members.

Committee Observation

540. The Committee observed that the efforts made by the institution to gazette board members.

Committee Recommendations

541. The Committee recommends and directs that the Ministry of Education make deliberate efforts to ensure full gazettement of board members for smooth operations within the institution.

8.1.6 Non-Compliance with the Law on Ethnic Composition

542. It was duly noted that there was non-compliance with the law on ethnic diversity since 81% of employees were from one ethnic community.

Management Response

543. The management stated that the institution currently is at 52% ethnic composition to the majority community.

Committee Observation

544. The Committee observed the efforts by the management to adhere to the law on national cohesion in regards to ethnic composition

8.1.7 Lack of Risk Management Policy

545. The College did not have approved risk management policy

Management Response

546. The Management stated that there is a Draft policy in Place.

Committee Observation

547. The Committee observed that the issue has been resolved as the Auditor-General is satisfied with the Management Response having verified a risk management policy in place.

8.1.8 Lack of Approved Human Resource Policy

548. Management did not have an approved Human Resource Policy, salary structure and approved staff establishment

Management Response

549. The Management stated that the draft Human Resource Policy is already in place and waits approval.

Committee Observation

550. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified an approved and functional Human Resource policy.

9.0 THARAKA UNIVERSITY COLLEGE

551. Mr. Peter Muriungi, Vice Chancellor, accompanied by;

(i) Mr. Levi Musalia- Deputy Vice Chancellor

Appeared before The Committee to adduce evidence on the audited accounts of Tharaka University, on 22nd August 2024.

9.1 Audited statements for Financial Year 2018/2019

552. The Committee observed that in the F/Y 2018/2019, Tharaka University had an unqualified report with no outstanding issues.

9.2 Audited statements for Financial Year 2019/2020

9.2.1 Budgetary Control and Performance

553. The final expenditure budget and actual on comparable basis of Kshs.352,126,181 and Kshs.268,683,089 respectively resulting to an under-expenditure of Kshs.83,443,092 or 14% of the budget.

Management Response

554. The University was implementing its first independent budget in this financial year and most of the operational areas were being set up hence the low absorption of funds

Committee Observation

555. The Committee observed that the institution was funded by its mentor Chuka University who were in control of their books of accounts thus unable to fully utilize their budget.

9.2.2 Irregular Appointment of University Council

556. The Council did not have a member who is a financial expert with expertise in financial management or accounting and a member of a professional body that regulates the accounting profession

Management Response

557. They appointed a member of the Council with financial background. The University Council also reconstituted the Council Committees as per the requirements of Mwongozo.

Committee Observation

558. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified reconstitution of Council Committee members.

9.2.3 Management of the Biological Assets

559. Kshs.1,140,100 in respect to biological assets which includes a balance of Kshs.890,000 in respect to livestock. However, farm register showing weight, vaccinations history and progress on health of the animals was not provided for audit.

Management Response

560. A valuation report from the Agricultural Officer Ministry of Agriculture and a summary showing the end of the year quantities and their value is attached.

Committee Observation

561. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified requisite documentations of valuation.

9.2.4 Tuition Fees Receivables

562. Kshs.35,254,251 in respect to tuition and related income which include Kshs.12,475,615 in respect to tuition fees receivable which represents 35% of tuition and related income. However, aging analysis of tuition fees

Management Response

563. University has collected over 74% of the fees which it inherited and is remaining with

only there million compared to debtors which were over twelve million as shown in the attached schedule of aging.

Committee Observation

564. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

9.2.5 Risk Management Policy

565. University did not have an approved risk management policy.

Management Response

566. The Management has addressed the lack of risk management policy since it has been developed and provided.

Committee observation

567. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified an approved and operational Risk Management Policy.

9.3 Audited statements for Financial Year 2020/2021

568. The Committee observed that the FY 2020/2021 matters had been addressed in previous financial years and reiterates its recommendations.

10.0 NKABUNE TECHNICAL TRAINING INSTITUTE

569. Ms. Peninah Nginah, Chief Principal, accompanied by;

i. Ms. Doris Kinya- Finance Officer

ii. Ms. Idah Gaseri- Human Resource Manager

iii. Mr. Sammy Mwangangi- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Nkabune Technical Training Institute, on 30th April 2025.

10.1 Audited statement for the Financial Year 2018/19

10.1.1 Non-Submission of financial statements

570. The institutes' board of governors has not submitted its financial statements to the auditor General for audit for five financial years (2014 to 2018) contrary to section 68(2)(K) of the PFM Act, Cap. 412A which requires an accounting officer to prepare annual financial statements for each financial year within 3 months after the end of the financial year and submit to the auditor general for audit. In addition, section 47 of the Public Audit Act, CAP. 412B stipulates that the financial statement

required under the constitution, the PFM Act 2012 and any other legislation, shall be submitted to the auditor general within 3 months after the end of the fiscal year to which the accounts relate.

Management Response

571. The financial statements were prepared and audited by school auditors under the MOE.

Committee Observation

572. The Committee observed that the institution failed to meet key disclosure requirements as prescribed by IPSAS, impacting the transparency and comprehensibility of the financial statements.

Committee Recommendation

573. The Committee recommends strict adherence to the Public Sector Accounting Standards Board (PSASB) reporting template which ensures that all necessary disclosures, particularly those concerning related parties and performance explanations, are provided consistently to enhance transparency.

10.1.2 Accuracy of the financial statements

574. The financial statements for the year under review reflect a balance of Kshs.181, 041,603 on nine components while the respective ledgers reflected a balance of Kshs.157, 561,199 resulting in a variance of Kshs.23, 480,404. In the circumstance, the accuracy of the financial statements for the year ended 30 June 2019 could not be ascertained.

Management Response

575. The Management have since provided the ledgers to auditors for audit.

Committee Observation

576. The Committee observed the significant variance between the financial statements and ledger balances, which undermines the reliability of the reported figures.

Committee Recommendation

577. The Committee recommends that the Accounting Officer ensures robust reconciliation processes are immediately put in place to verify figures against ledgers before final preparation, ensuring that the financial statements accurately reflect the underlying transactions.

10.1.3 Unbalanced Statement of Financial Position

578. The statement of financial position as of 30th June 2019 reflects total assets of Kshs. 63,918,963 and a similar balance for total liabilities. However, included in the total liabilities of Kshs.63, 918,963 is Kshs.51, 380,799 in respect of reserves comprising Kshs. 31,636,550 and Kshs. 19,744,249 in respect to grant received and accumulated surplus respectively instead of representing the two items

under reserves as required by the IPSAS 1. Further, the amount of Kshs.51,380,799 appears to be a balancing item as the confirmed reserves amount to Kshs.19,744,210, comprising Kshs.3,820,875 and Kshs. 15,923,335 in respect to grant received and accumulated surplus respectively, resulting in an unexplained and reconciled variance of Kshs.31,636,589.

579. In the circumstances, the validity of completeness of these financial statements could not be ascertained.

Management Response

580. Adjustments have been made in the subsequent years 2022/2023.

Committee Observation

581. The Committee observed that the fundamental error in the presentation of the Statement of Financial Position, specifically the misclassification of reserves leading to an unbalanced statement, contrary to IPSAS 1 requirements.

Committee Recommendation

582. The Committee recommends that the Accounting Officer strictly adheres to IPSAS requirements to ensure accurate presentation and diligently review of financial statements to eliminate structural errors prior to audit submission.

10.1.4 Variance between balances in the Notes and the Statement of Changes in Net Assets

583. The statement of changes in net assets reflects Kshs.31, 636,550 in respect to capital/development grants/fund. However, Note. 6 of the financial statements reflects Kshs.3,820,875 in respect to conditional development grants, resulting to an unexplained and unreconciled variance of Kshs.27,815,675. In the circumstances, the accuracy and validity of these financial statements for the year ended 30th June 2019 could not be confirmed.

Management Response

584. Errors have been adjusted in subsequent years 2022/2023.

Committee Observation

585. The Committee observed the significant unreconciled variance between the amounts presented in the Notes and the Statement of Changes in Net Assets, which compromises the reliability and consistency of financial reporting.

Committee Recommendation

586. The Committee recommends that the Accounting Officer ensures that the preparation process includes robust mechanisms for cross-checking and reconciling figures across all components of the

financial statements to guarantee internal consistency and accuracy.

10.1.5 Variance between the Cash Book Balance and Bank Reconciliation Statement

587. Note 27 (a) to the financial statements for the year under review reflect a cash and cash equivalents balance of Kshs.43,368,252 comprising of Kshs.43,234,201 and Kshs.389,301 held in five (5) bank accounts and cash in hand respectively. Included in Kshs.43, 368,252 is Kshs.38, 312,811 held in a current account in Cooperative Bank. However, a review of the respective cash book and bank reconciliation statement revealed a cash book balance of Kshs.38,312,811 and a cash book balance as per reconciliation statement of Kshs.29,187,413 respectively resulting to unexplained variance of Kshs.9,125,398.

588. Further, Note 27 (a) to the financial statements for the year under review reflect a total of Kshs.43, 368,252 in respect to cash and cash equivalents. However, a recast of the same statement reflects a total of Kshs.43, 623,502 resulting in an unexplained variance of Kshs.255, 250.

589. Consequently, the accuracy of cash and cash equivalents balance of Kshs.43, 368,252 as of 30th June 2019 could not be confirmed.

Management Responses

590. Reconciliations have been done, completed, and values adjusted in subsequent years 2022/2023.

Committee Observation

591. The Committee observed that the material variance identified between the Cash Book and the Bank Reconciliation Statement, indicating weaknesses in internal cash management controls.

Committee Recommendation

592. The Committee recommends that the Accounting Officer strictly enforces adherence to proper monthly bank reconciliation procedures to maintain tight control over cash and bank balances, as required by Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.

10.1.6 Opening Balance of Cash and Cash Equivalents

593. The statement of cash flows reflects a cash and cash equivalents balance of Kshs.48, 444,808 as of 1 July 2018. However, the supporting documents including bank confirmation certificates, bank reconciliation statements, cash books and the 2017/2018 audited financial statements were not availed for audit review.

594. In the circumstances, the accuracy and validity of the cash and cash equivalents balance of Kshs.48, 444,808 as of 1 July 2018 could not be confirmed.

Management Response

595. Errors have been corrected and adjustments done in subsequent years 2022/2023.

Committee Observation

596. The Committee observed that Management has subsequently provided the necessary supporting documents, including previous audit reports and bank details, to confirm the accuracy and existence of the opening balance thus the issue has been resolved.

10.1.7 Closing Cash and Cash Equivalents

597. The statement of cash flows reflects Kshs.43, 368,252 in respect to cash and cash equivalents as of 30 June 2019. However, a recast of the statement reflects Kshs.68, 189,057 resulting in an unexplained variance of Kshs.24, 820,805.

598. Consequently, the accuracy of cash and cash equivalents balance of Kshs.43, 368,252 as of 30th June 2019 could not be confirmed.

Management Response

599. Errors and adjustments incorporated in subsequent years 2022/2023.

Committee Observation

600. The Committee observed that the severe discrepancy in the reported closing cash balance compared to the recast figure, indicating a fundamental flaw in the preparation of the Statement of Cash Flows.

Committee Recommendation

601. The Committee recommends that the Accounting Officer ensures the finance team undergoes specialized training on the correct application of IPSAS requirements for preparing the Statement of Cash Flows, emphasizing diligent reconciliation to supporting bank records.

10.1.8 Variances between the transfer from National Government and the Institute's balances of the Recurrent Grants

602. The statement of financial performance reflects Kshs.31, 636,550 in respect to transfers from National Government – grants/gifts in kind. However, Appendix IV to the financial statements reflects a nil balance in respect to transfers from other Government entities resulting in an unexplained variance of Kshs,31,636,550.

603. In the circumstances, the accuracy and validity of transfers from other Government entities for the year ended 30 June 2019 could not be confirmed.

Management Response

604. Adjustments have been done in subsequent years 2022/2023 and documents submitted to the office of Auditor General.

Committee Observation

605. The Committee observed that the significant variance between the reported transfers from the National Government in the financial statements and the nil balance reported in the supplementary appendix, highlighting a failure in cross-referencing and disclosure consistency.

Committee Recommendation

606. The Committee recommends that the Accounting Officer ensures reconciliation between the financial statements and all supporting notes/appendices and provides full documentation (ledgers/cash books) to support all government transfer receipts.

10.1.9 Development Grants

607. The statement of changes in net assets for the year under review reflects Kshs.31, 636,550 in respect to development grants from the Ministry of Education. However, records from the Ministry of Education reflect Kshs.7, 641,750 as having been transferred to the Institute resulting in unexplained and unreconciled variance of Kshs.23, 994,800.

608. In the circumstances, the accuracy of the Kshs.31, 636,550 development grants transfer from the Ministry of Education for the year ended 30 June 2019 could not be ascertained.

Management Response

609. Adjustments to errors have been done in subsequent years 2022/2023.

Committee Observation

610. The Committee observed the challenge in confirming the accuracy and proper utilization of conditional development grants due to the lack of prior year supporting records and documentation of subsequent expenditure.

Committee Recommendation

611. The Committee recommends that the Accounting Officer ensures that all conditional grant funds are tracked and utilized strictly for their mandated purpose, with records kept for future audit verification.

10.1.10 Property, Plant and Equipment

612. The statement of financial position reflects a nil balance in respect to property, plant, and equipment. However, physical verification revealed that the Institution has buildings including administration block, lecture halls, kitchen and an ablution block, furniture, land measuring twenty-

five (25) acres as per the principal's report at page 8 to the financial statements, training equipment and computers of unknown value which were not reported in the statement of financial position. In the circumstances, the Institute's financial position as of 30th June 2019 is misstated in the absence of property, plant and equipment which is contrary to International Public Sector Accounting Standard number 17 (IPSAS 17) paragraph 96 which requires that an entity that adopts accrual accounting for the first time in accordance with IPSAS shall initially recognize property, plant and equipment at cost or fair value.

613. Consequently, the accuracy and completeness of property, plant and equipment's nil balance could not be confirmed.

Management Response

614. The Management stated that the valuation has been done and documents submitted to the auditor general office.

Committee Observation

615. The Committee observed that the Management has addressed this query by ensuring that the valuation has been completed and documents submitted to the Auditor-General.

10.1.11 Unreconciled Balances on Tuition Fees

616. Note 10 to the financial statements reflects a balance of Kshs.87,997,409 in respect to rendering of services which includes Kshs.19,112,398 in respect to tuition fees. However, a computation of the tuition fee using the approved fee structure and student register for the year ended 30 June 2019 gave an amount of Kshs.17, 959,262 leading to unexplained variance of Kshs.1, 153,136 as shown:

Management Response

617. Management stated that the Reconciliation done in subsequent years 2022/2023.

Committee Observation

618. The Committee observed the material variance identified between reported tuition fees and the expected income based on student numbers and fee structure, indicating potential inaccuracy in either enrollment reporting or fee collection procedures.

Committee Recommendation

619. The Committee recommends that the Accounting Officer puts in place a mechanism for monthly reconciliation between the student enrollment register, approved fee structure, and actual fee collections to ensure accuracy and completeness of revenue recognition.

10.1.12 Non-Provision of Audit Fees

620. The statement of financial performance for the year under review reflects Kshs.102, 343,769 in respect to total expenses. However, the expenses for the year do not include provision of audit fees of Kshs.589, 928 which is payable to the Office of the Auditor General in accordance to Section 41(1)(c) of the Public Audit Act, 2015.

621. In the circumstances, the Institute is in breach of the law, and the expenditure of the year ended 30th June 2019 understated to the extent of the audit fee not provided for.

Management Response

622. Provision has been incorporated and included in subsequent years 2022/2023.

Committee Observation

623. The Committee observed the failure to provide audit fees as mandated by the Public Audit Act, Cap. 412B and constituting non-compliance with statutory requirements.

Committee Recommendation

624. The Committee recommends that the Accounting Officer ensures strict adherence to Section 41(1)(c) of the Public Audit Act, Cap. 412B and includes the required provision for audit fees in the financial statements annually to ensure liabilities are accurately reflected.

10.1.13 Presentation of the Financial Statements

625. Review of the financial statements for the year under review revealed the following anomalies:

626. The finance officer did not indicate his Institute of Certified Public Accountants of Kenya (ICPAK) membership number in the financial statements contrary to the Public Sector Accounting Standard Board (IPSASB) requirements.

Management Response

627. The Management stated that it had been incorporated in subsequent years 2022/2023.

Committee Observation

628. The Committee observed that the fundamental error in the presentation of the Statement of Financial Position, specifically the misclassification of reserves leading to an unbalanced statement, contrary to IPSAS 1 requirements.

Committee Recommendation

629. The Committee recommends that the Accounting Officer strictly adheres to IPSAS 1 (Presentation of Financial Statements) requirements to ensure accurate presentation and diligently reviews financial statements to eliminate structural errors prior to audit submission.

10.1.14 Presentation of the Financial Statements

630. The balances in the financial statements have not been rounded off to the nearest shilling contrary to the best accounting practices.

Management Response

631. The Management stated that the error has been corrected in the subsequent years 2022/2023.

Committee Observation

632. The Committee observed that the failure to round figures off to the nearest shilling impairs the readability and presentation quality of the financial statements.

Committee Recommendation

633. The Committee recommends that the Accounting Officer ensures all financial statements adhere to best accounting practices by rounding figures to the nearest whole number of the reporting currency for improved clarity and consistency.

10.1.15 Presentation of the Financial Statements

634. The footnote to the statement of financial performance and financial position indicates that notes are set out on page 1 to 5, whereas the actual notes to the financial statements are set out on page 6 to 45.

Management Response

635. The Management stated that the error has been corrected in the subsequent years.

Committee Observation

636. The Committee observed that the error in the footnote referencing, indicating a lack of thorough proofreading before submission.

Committee Recommendation

637. The Committee recommends that the Accounting Officer implements a final meticulous proofreading process to verify all numbering and page referencing, ensuring financial statements comply fully with the prescribed formatting standards.

10.1.16 Presentation of the Financial Statements

638. The security service expenditure of Kshs.1, 173,000 in the statement of financial performance has no corresponding note.

639. In the circumstance, the presentation of the financial statements for the year under review is not in accordance with the prescribed format by the Public Sector Accounting Standard Board.

Management Response

640. The Management stated that the error has been corrected in the subsequent years.

Committee Observation

641. The Committee observes that omitting the required note disclosures leads to non-compliance with the PSASB reporting framework.

Committee Recommendation

642. The Committee recommends that the Accounting Officer ensures all material expenditures are fully detailed and cross-referenced with appropriate notes, maintaining strict adherence to the PSASB prescribed financial reporting format.

10.1.17 Revenue Analysis

643. The statement of comparison of budget and actual amounts for the year ended 30th June 2019 reflects budgeted receipts of Kshs.118, 775,600 and an actual receipt of Kshs.122, 088,018, resulting in a variance of Kshs.3, 312,418. However, a recasting of the actual receipts resulted in a balance of Kshs.122,020,343 resulting in an unexplained variance of Kshs.3,244,743.

644. The Institute over realized its budget by Kshs.14,321,334 or 12% on three items which may be an indication that the Institute could have set very low budget targets. Further, the Institute did not achieve its targeted budget on fees from students by Kshs.11, 076,591 or 11%.

Management Response

645. The management is adhering to public finance management regulations 2015.

Committee Observation

646. The Committee notes the material variance identified during the budget recapitalization process, indicating inconsistencies in initial budgeting or reporting procedures.

Committee Recommendation

647. The Committee recommends that the Accounting Officer ensures that the budget review process strictly adheres to Public Finance Management (National Government) Regulations, 2015, verifying and adjusting figures based on realistic expectations of fund disbursement.

10.1.18 Expenditure Analysis

648. The statement of comparison of budget and actual amounts for the year under review reflects budgeted expenditure of Kshs.118,775,600 and actual expenditure of Kshs.98,033,156 resulting to a variance of Kshs.20,742,444. However, a recast of the respective components gave a total budget expenditure of Kshs.120,017,600 resulting in an unexplained variance of Kshs.1,242,000.

649. In the circumstances, the accuracy of the Kshs.118,775,600 of the budgeted expenditure for the year under review could not be ascertained.

650. Further, a comparison of the re-casted budgeted expenditure of Kshs.120,017,600 to the actual expenditure of Kshs.98,033,156 resulted in a net under expenditure of Kshs.21,984,444 or 18%. This is an indication that some of the programs and activities that had been planned by the Institute were not implemented.

651. In addition, no supplementary approval was availed for audit review for the Kshs.12,770,395 over expenditure contrary to Regulation 40(5) of the Public Finance Management (National Government) Regulations, 2015.

652. In the circumstances, the Institute was in breach of the law.

Management Response

653. The management is Adhering to Public Finance Management (National Government) Regulations, 2015.

654. Late submission of financial statements.

655. The statements have been submitted on time in subsequent years 2022/23.

Committee Observation

656. The Committee observed the calculation of inconsistency in the budgeted expenditure figures, demonstrating weak internal controls during the preparation of the statement of comparison of budget and actual amounts.

Committee Recommendation

657. The Committee recommends that the Accounting Officer enhances the technical capacity of the finance team and implements mandatory reconciliation checks to minimize avoidable arithmetic and transcription errors in key financial statements.

10.2 Audited statement for the Financial Year 2019/2020

10.2.1 Unbalanced Statement of Financial Position

658. The statement of financial position as of 30th June 2020 reflects Kshs.751,379,165 and Kshs.747,558,290 in respect of total assets and total liabilities and reserves resulting to an unexplained variance of Kshs.3,820,875, where total assets should balance with total liabilities and reserves. Further, the same statement reflects Kshs.14, 105,202 in respect of total liabilities. However, a re-cast of the same reflects Kshs.16, 060,130, resulting in an unexplained variance of Kshs.1, 954,928.

659. In addition, the same statement also reflects a nil balance in respect of net assets. However, a re-case of the same indicates net asset of Kshs.737, 273,963.46 resulting to a variance of the same amount.

660. Further, three (3) components in the statement of financial position reflects balances that are at variance with the balances in the statement of changes in net assets.

661. In the circumstances, the accuracy, completeness and validity statement of financial position as of 30th June 2020 could not be confirmed.

Management Response

662. Errors have been adjusted in subsequent years 2022/2023.

Committee Observation

663. The Committee observed that the material variances found across the core financial statements and notes regarding Capital Reserves, confirming deficiencies in structural accuracy and IPSAS compliance.

Committee Recommendation

664. The Committee recommends that the Accounting Officer establishes a rigorous review protocol to ensure consistency and agreement between figures presented in the core financial statements and their corresponding notes, ensuring structural accuracy required by IPSAS.

10.2.2 Overstated Statement of Changes in Net Assets

665. The statement of changes in net assets for the year ended 30th June 2020 reflects Kshs.64, 757,406 in respect of total net assets brought forward. However, the 2018/2019 financial statement reflects Kshs.11, 941,320 of the same total net assets, resulting to unexplained variance of Kshs.52, 816,086. Further, the same statement reflects the previous year's closing balances as at '30 June 2020' instead of 30th June 2019.

666. In addition, the same statement reflects Kshs.747, 575,571 in respect of total net assets as of 30th June 2020. However, a recast of the balances reflects Kshs.804, 212,514 resulting to unexplained variance of Kshs.56, 636,943.

667. In the circumstances, the accuracy, completeness and validity of the statement of changes in net assets for the year ended 30th June 2020 could not be confirmed.

Management Response

668. Errors have been adjusted in subsequent years 2022/2023.

Committee Observation

669. The Committee observed the material overstatement in the opening balance of the Statement of Changes in Net Assets and the incorrect dating, which significantly diminishes the reliability of the comparative figures presented.

Committee Recommendation

670. The Committee recommends that the Accounting Officer ensures strict compliance with IPSAS 3 (Accounting Policies, Changes in Accounting Estimates and Errors) when presenting prior period comparative figures and that all opening balances are methodically reconciled to prior year audited figures.

10.2.3 Understated Statement of Cash Flow

671. The statement of cash flows for the year ended 30th June 2020 reflects Kshs.163, 678,225 in respect of cash and cash equivalents as of 30th June 2020. However, a recast of the balances reflects Kshs.248, 214,594 resulting in an unexplained variance of Kshs.84, 536,369.

672. Consequently, the accuracy of the cash flows for the year ended 30th June 2020 could not be confirmed.

Management Response

673. Errors have been adjusted in subsequent years 2022/2023.

Committee Observation

674. The Committee observed that the substantial unexplained variance arising from the preparation of the Statement of Cash Flows, indicating weaknesses in the application of cash flow reporting methodology.

Committee Recommendation

675. The Committee recommends that the Accounting Officer ensures the finance team liaises directly with the Office of the Auditor-General to reconcile this variance and receive adequate training on proper IPSAS-compliant cash flow preparation techniques.

10.2.4 Understated Cash and Cash Equivalents

676. Note 27(a) to the financial statements for the year under review reflects a cash and cash equivalents balance of Kshs.163, 678,225. However, a review of bank reconciliation statement for the month of June 2020 reflects Kshs.3,680,115 in respect to unpresented cheques which includes Kshs.34,817 in respect of stale cheques which have not been replaced or reversed in the cash book and therefore understating the cash and cash equivalents by the same amount.

677. Consequently, accuracy and completeness of the cash and cash equivalents balance of Kshs.163, 678,225 as of 30th June 2020 could not be confirmed.

Management Response

678. The Management stated that the Errors have been corrected in subsequent years 2022/2023.

Committee Observation

679. The Committee observes that the failure to reverse stale cheques leads to an understatement of the actual cash position and highlights a lapse in routine reconciliation and cash management control.

Committee Recommendation

680. The Committee recommends that the Accounting Officer implements a procedure requiring timely follow-up and reversal of stale cheques and ensures strict adherence to cash book maintenance best practices to reflect the true cash position.

10.2.5 Unsupported Contingent Rentals Income

681. As disclosed in Note 12 to the financial statement, the statement of financial performance for the year ended 30th June 2020 reflects an amount of Kshs.95,052,838 in respect of revenue from exchange transactions out of which Kshs.860,450 relates to rental revenue from facilities and equipment which includes Kshs.636,210 in respect of contingent rentals.

682. However, supporting documents including tenant agreements, the list of occupied properties (houses), the bank deposit slips, board minutes which approved the rates payable and valuation report from the Ministry of Land and Physical Planning were not made available for audit review.

683. In the circumstances, the accuracy and completeness of the Kshs.636, 210 in respect of contingent rentals income for the year ended 30th June 2020 could not be confirmed.

Management Response

684. Tenant agreements, the list of occupied properties (houses), bank deposit slips, Board minutes which approved rates payable and a valuation report from the Ministry of Land and Physical planning were provided to the auditors.

Committee Observation

685. The Committee observed Management's subsequent submission of the required documentation.

Committee Recommendation

686. The Committee recommends that the Accounting Officer ensures robust record-keeping is maintained for all rental income, including formal tenancy agreements, board-approved tariff schedules, and valuation reports, complying with Section 68(2)(b) of the PFM Act, Cap. 412A.

10.2.6 Unaccounted expenditure on student meals

687. The statement of financial performance for the year ended 30th June 2020 and as disclosed in Note 15 to the financial statements reflects Kshs.57, 908,148 in respect of use of goods and services which includes Kshs.44, 129,527 relating to other general expenses out of which an amount of Kshs.6, 225440 were payments made to a firm for the provision of meals to sponsored students from National Youth Service (NYS). The Institute adopted a Pay As You Eat (PAYE) system in the year under review where all students apart from those sponsored by NYS paid cash for their meals, while the NYS students were served meals on credit and the invoices raised to the Institute. However, the payments made by the Institute to the firm were not supported by daily registers signed by the said sponsored students.

688. In the circumstances, the accuracy, validity and value for money for the Kshs.6, 225,440 expenditure for the year ended 30th June 2020 could not be confirmed.

Management Response

689. Management stated that the register was provided to the auditors.

Committee Observation

690. The Committee observed that expenditure on contracted services (training materials) for sponsored students was initially unsupported by key accountability documents, such as daily student registers, hindering confirmation of value for money.

Committee Recommendation

691. The Committee recommends that the Accounting Officer ensures comprehensive documentation, including daily registers and formal reports, is maintained for all contracted training services to verify service delivery and confirm value for money, adhering to Section 68(2)(b) of the PFM Act, Cap. 412A.

10.2.7 Long Outstanding Students Debtors

692. The statement of financial position as of 30th June 2020 and as disclosed in Note 27(b) to the financial statements reflects Kshs.23,451,497 in respect of receivables from exchange transactions out of which an amount of Kshs.8,385,597 or (36%) has been outstanding for over two (2) years. However, no evidence was provided for audit on the strategies the Management is taking to recover the said outstanding debts. Further, management has not adopted any provision policy for likely doubtful debts or made any specific provision to cater for the doubtful debts arising in the course of time.

693. In the circumstances, the recoverability of the Kshs.8, 385,597 in respect of outstanding students' debts as of 30th June 2020 could not be confirmed. In addition, it has not been possible to ascertain if the balance is fairly stated as of 30th June 2020.

Management Response

694. The Management stated that the Fees policy developed and provided to the auditors.

695. The Management stated that the documents have been provided to the auditors

Committee Observation

696. The Committee observed long outstanding receivables (65% over two years), coupled with the lack of a documented recovery strategy or provision for doubtful debts, which significantly overstates the recoverable value of institutional assets.

Committee Recommendation

697. The Committee recommends that the Accounting Officer immediately formulates and implements a formal, actionable Debt Management Policy focused on accelerated collection and ensures that the financial statements reflect appropriate provision for doubtful debts in line with IPSAS requirements.

10.2.8 Unsupported Balances – Trade and Other Payables

698. The statement of financial position reflects Kshs.13, 054,235 and Kshs.447,180 all totalling to Kshs.13,501,415 in respect of trade and other payables from exchange transactions and refundable deposits from customers as disclosed in Notes 35 and 36 respectively. However, supporting documents including schedules and ledgers were not provided for audit.

699. In the circumstances, the accuracy and validity of the Kshs.13, 501,415 included in current liabilities as of 30 June 2020 could not be confirmed.

Management Response

700. The supporting documents have been taken to the Office of Auditor General and the issue was addressed.

Committee Observation

701. The Committee observed that Management has fully addressed this matter by submitting the necessary supporting schedules and ledgers to the Auditor-General for verification.

Committee Recommendation

702. The Committee recommends the Accounting Officer to ensure compliance with Section 68(2)(b) of the PFM Act, Cap. 412A by always having complete and organized supporting documents readily

available for audit scrutiny.

10.2.9 Budgetary Control and Performance

703. The statement of comparison of budget and actual amounts for the year ended 30th June 2020 reflects budgeted receipts of Kshs.149, 302,110 and an actual receipt of Kshs.289, 879,690 resulting to a net under collection of Kshs.140, 577,580.

704. Similarly, the statement reflects an expenditure budget and actual amounts of Kshs.149, 302,110 and Kshs.92, 637,463 respectively resulting to a net under expenditure of Kshs.56, 664,647.

705. In the circumstances, the intended beneficiaries did not get expected services equivalent to the under collection of Kshs.140, 577,580 and over expenditure of Kshs.56, 664,647 for the year ended 30th June 2020.

Management Response

706. The Management stated that this has been corrected in subsequent years 2022/2023.

Committee Observation

707. The Committee observed the substantial budget underperformance (Kshs.140M under collection and Kshs.56M under expenditure), resulting in a failure to deliver expected services equivalent to the under-utilization.

Committee Recommendation

708. The Committee recommends that the Accounting Officer implements continuous budget monitoring and timely reviews to ensure that planned activities are implemented and that uncommitted funding projections are excluded from the budget to ensure fiscal realism.

10.2.10 Withdrawal of cash over and above the approved limit

709. The statement of financial position as of 30 June 2020 and as disclosed in Note 27(a) to the financial statements reflects Kshs.163, 678,225 in respect of cash and cash equivalents. However, review of the cash book revealed that on various dates, the Institute withdrew cash totalling to Kshs.3,200,000 in batches of Kshs.400,000 beyond the cash withdrawal limit of Kshs.300,000 per week contrary to paragraph 5(1) of the Ministry of Education circular reference MOEST/VTT/11/8 dated 22 July 2019 on administration and financial management which states that the cash limit for training and vocation colleges shall be limited to Kshs.300,000 per week.

Management Response

710. Management stated that the errors have been corrected in subsequent years 2022/2023.

Committee Observation

711. The Committee observed the irregular cash payments significantly exceeding the authorized cash limit of Kshs.300,000 per week, violating sound financial management policies and exposing the institution to heightened risk of misuse or theft.

Committee Recommendation

712. The Committee recommends that the Accounting Officer enforces strict adherence to the approved cash management policy, utilizing non-cash methods for large payments to safeguard public funds and enhance accountability.

10.2.11 Presentation of Financial statements

713. The Institute's financial statements for the year under review showed included the following anomalies pages 10, 11,18, 20, 33, 36, 39, 40 and 41 contain 'xxx' which has not been customized to reflect information relevant to the Institute.

714. The financial statements figures are in decimal contrary to the best accounting practice which recommends figures in the financial statements to be rounded off to the nearest whole number of the reporting currency.

715. Note 30 of the financial statements has been assigned to two different components; inventories and property, plant and equipment.

716. Consequently, the financial statements for the year under review are not prepared in accordance with the International Public Sector Accounting Standards as prescribed by the Public Sector Accounting Standard Board (PSASB) financial reporting template.

Management Response

717. Management stated that the errors have been corrected in subsequent years 2022/2023.

Committee Observation

718. The Committee observed that the numerous formatting and presentation errors (including 'xxx' placeholders and uncustomized notes), indicating a lack of thorough review and non- compliance with the prescribed PSASB reporting template and IPSAS.

Committee Recommendation

719. The Committee recommends that the Accounting Officer implements rigorous quality control checks to ensure all financial statements strictly conform to the International Public Sector Accounting Standards (IPSAS) and the PSASB prescribed template, focusing on consistency and readability.

10.2.12 Communication and Technology (ICT) Environment

720. Review of the Institute's ICT environment revealed that there was no formal approved ICT policy in place during the year under review which includes data security policy and disaster recovery plans. Further, the Institute's ICT structure was not provided for review.

721. In addition, during the year under review, the technical institute did not have an Information Technology (IT) steering committee or strategic committee for ensuring effective IT controls and strategies.

722. In the circumstance, the security and reliability of the technical institute's data including its management information system could not be ascertained and in addition, the institute is in breach of law.

Management Response

723. ICT Policy provided to auditors has backups available via server and hard disks, and an offsite backup where data is secured via cloud technology.

Committee Observation

724. The Committee observed that the critical risk exposure resulting from the lack of a formally approved ICT policy and IT structure, despite management implementing some operational security controls like firewalls and cloud backups.

Committee Recommendation

725. The Committee recommends that the Accounting Officer accelerates the finalization and implementation of the comprehensive ICT Policy to formalize governance, security protocols, and staffing structure, complementing existing security measures.

10.3 Audited statement for Financial Year 2020/2021

10.3.1 Inaccuracies in the financial statements

726. The statement of financial position reflects cash and cash equivalents of Kshs.100, 694,034 and comparative balance of Kshs.163, 678,225 as disclosed in note 25(b) to the financial statements. However, a recast of the comparative balance gives an amount of Kshs.164, 559,355 resulting to an unexplained and an unreconciled variance of Kshs.881, 130. Further, the statement of financial position reflects a comparative balance of Kshs.508, 707,727 relating to revaluation reserve (restated). However, the statement of changes in net assets for the year ended 30th June 2021 reflects an opening balance of Kshs.528, 561,515 for the same item resulting to an unreconciled difference of Kshs.19, 853,788. In addition, the Institute has not explained how the restated

balances were derived.

Management Responses

727. Errors have been corrected in subsequent years 2022/2023.

Committee Observation

728. The Committee observed that the recurring material variances in comparative balances, confirming weaknesses in applying IPSAS standards for restatements and ensuring data accuracy across the financial years.

Committee Recommendation

729. The Committee recommends that the Accounting Officer ensures that subsequent financial statements adhere strictly to IPSAS 3 (Accounting Policies, Changes in Accounting Estimates and Errors) when presenting restated comparative figures and ensures a robust reconciliation of cash balances.

10.3.2 Statement of Changes in Net Assets

730. The statement of changes in net assets reflects balances of Kshs.528, 561,515 and Kshs.212, 506,067 relating to revaluation reserves and retained earning opening balances as of 1st July 2020. However, the audited financial statements for the financial year 2019/2020 reflects balances of Kshs.542,872,376 and Kshs.204,703,195 respectively resulting to unexplained variances of Kshs.14,310,861 and Kshs.7,802,872 for the two items.

Management Response

731. Management stated that the errors have been corrected in subsequent years 2022/2023.

Committee Observation

732. The Committee observed the inconsistency and inaccuracy found in the Statement of Comparison of Budget and Actual Amounts upon recalculation, indicating a need for stringent validation of figures before reporting.

Committee Recommendation

733. The Committee recommends that the Accounting Officer implements a verification mechanism to ensure mathematical accuracy and rigorous consistency within the budget performance statements.

10.3.3 Statement of Cash Flows

734. The statement of cash flows reflects rendering for services amount of Kshs.60, 283,161 which differs with the amount of Kshs.100, 363,238 reflected in the statement of financial performance resulting to an unexplained difference of Kshs.40, 080,057. In addition, the difference of Kshs.40,

080,057 could not be traced to the receivables balance of Kshs.36, 447,873 reflected in the statement of financial position.

735. Further, the statement of receipts and payments amount of Kshs.2, 964,949 in respect of contracted services was not included in the statement of cashflows for the year.

Management Response

736. Management stated that the errors have been corrected in subsequent years 2022/2023.

Committee observations

737. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management's response.

10.3.4 Statement of comparison of budget and actual amounts

738. The statement of comparison of budget and actual amounts reflects an amount of Kshs.27, 083,882 relating to actual development expenditure. However, note 30 to the financial statements on property, plant and equipment reflects additions of Kshs.32, 994,287 resulting to an unexplained variance of Kshs.5, 910,405 in addition of Kshs.32, 994,287 resulting to unexplained variance of Kshs.5, 910,405. In addition, the statement excludes amounts of Kshs.19, 954,130 and Kshs.2, 964,949 in respect of repairs and maintenance and contracted services respectively reflected in the statement of financial performance. Further, the statement reflects total actual expenditure on comparable basis of Kshs.129, 583,615 while a recast gives an amount of Kshs.133, 749,921 resulting to unexplained variance of Kshs.4, 166,306.

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

Management Response

740. The Management stated that the errors have been corrected in subsequent years 2022/2023.

Committee Observation

741. The Committee observed that the inconsistency and inaccuracy found in the Statement of Comparison of Budget and Actual Amounts upon recalculation, indicating a need for stringent validation of figures before reporting.

Committee Recommendation

742. The Committee recommends that the Accounting Officer implements a verification mechanism to ensure mathematical accuracy and rigorous consistency within the budget performance statements.

10.3.5 Property, Plant and Equipment

743. The statement of financial position reflects an amount of Khs.569, 393,126 in respect of property, plant and equipment as disclosed in Note 30 to the financial statements. However, verification and inspection of the assets revealed they had not been tagged and ownership documents for land and motor vehicles were not provided for audit. This is contrary to Regulations, 2015 which states that an accounting officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

744. In addition, the Institute had four (4) motor vehicles with an estimated net book value of Kshs.12, 060,000. However, one of the motor vehicles registration number KAM 011L had a civilian registration number instead of recommended blue number plates for National Government entities.

745. In the circumstances, the ownership, existence and completeness of the property, plant and equipment balance of Kshs.569, 393,126 could not be confirmed.

Management Response

746. Assets have been tagged in subsequent year 2022/2023. Motor vehicle registration number KAM 011L was a donation by GIZ for training and the logbook reads Nkabune Technical.

Committee Observation

747. The Committee observed that securing ownership documents for the institutional land remains unresolved. Failure to finalize land titling risks loss and hinders fair presentation.

Committee Recommendation

748. The Committee recommends that the Accounting Officer urgently pursues the issuance of the title deed for the institutional land to safeguard the asset. Furthermore, the accounting officer should ensure that all motor vehicle registration adheres to the requirements for National Government entities (blue plates).

10.3.6 Current receivables from exchange transactions

749. The statement of financial position reflects a balance of Kshs.36, 447,873 as disclosed in Note 26(a) to the financial statements in respect to receivables from exchange transactions. The receivables include an amount of Kshs.36, 310,673 for current receivables (student debtors) out of which an amount of Kshs.23, 451,497 or 65% has been outstanding for over three (3) years. However, no evidence was provided for audit on the measures taken by management to recover the outstanding debts. Further, management has not adopted any provision policy for doubtful debts or made specific provision to cater for the doubtful debts arising in the course of the Institute's operations.

750. In the circumstances, the accuracy and recoverability of the balance of Kshs.23, 451,497 relating to long outstanding students' debts could not be confirmed.

Management Response

751. The Management stated that the supporting documents have been provided to the auditor general.

Committee Observation

752. The Committee observed that the critical concern of long outstanding receivables (65% over two years) combined with the lack of an active strategy or policy for doubtful debt provision, which significantly overstates the recoverable value of assets.

Committee Recommendation

753. The Committee recommends that the Accounting Officer effectively utilizes the established Debt Management Policy, focusing actively on recovery strategies for long outstanding fees, and ensures appropriate provision for doubtful debts is reflected in line with IPSAS requirements.

10.3.7 Uncollected Rental Revenue

754. The statement of financial position reflects an amount of Kshs.36, 447,873 relating to current receivables from exchange transactions, which as disclosed in Note 26(a) to the financial statements, includes an amount of Kshs.137, 200 relating to rent debtors. However, a review of the house rent records and ledgers for the outstanding balances revealed the Institute did not have a plan on how the outstanding balances were to be recovered and if the tenants had a plan to clear the long outstanding balance.

755. In the circumstances, the recoverability of the Kshs.137, 200 relating to outstanding rent could not be confirmed.

Management Response

756. Tenancy agreements were developed and implemented which led to the recovery of all outstanding rent.

Committee Observation

757. The Committee observed the lack of a defined plan for recovering outstanding rent balances, which diminishes institutional income and suggests a lack of robust revenue management controls.

Committee Recommendation

758. The Committee recommends that the Accounting Officer integrates specific strategies for rental debt recovery into the overall Debt Management Policy and ensures vigorous follow-up actions are

implemented promptly to collect all outstanding amounts.

10.3.8 Unsupported Employee Cost

759. The statement of financial performance as disclosed in Note 16 to the financial statements reflects an amount of Kshs.18, 384,710 relating to employee costs. However, supporting documents including payment vouchers for expenditure totalling to Kshs.1, 184,769 relating to salaries were not provided for audit.

760. In the circumstances, the accuracy for the expenditure of Kshs.1, 184,769 could not be confirmed.

Management Response

761. The Management stated that the support documents were provided to auditors.

Committee Observation

762. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

10.3.9 Budgetary control and performance

763. The statement of comparative budget and actual amounts reflects final budget receipts and on a comparable basis of Kshs.172, 130,490 and Kshs.123, 713,946 respectively resulting to an underfunding of Kshs.48,416,544 or 28% of the budget.

764. Similarly, the Institute expended Kshs.129, 583,615 against an approved budget expenditure of Kshs.174, 630,990 resulting to an under-expenditure of Kshs.45, 047,375 or 26% of the expenditure budget.

Management Response

765. The issues raised have been addressed in subsequent years 2022/2023.

Committee Observation

766. The Committee observed that the significant underfunding (28%) and corresponding under-expenditure (26%) constrained the planned activities and demonstrates weaknesses in budget execution.

Committee Recommendation

767. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets. Further, the institution should develop and engage in alternative income generating activities to increase their cash flow so as not to depend exclusively on government funding.

10.3.10 Unresolved Prior Year Matters

768. In the audit report of the previous year, a number of paragraphs were raised under the report on financial statements. However, management has not resolved some of the issues disclosed all the prior year matter as provided by the Public Sector Accounting Standards Board templates.

Management Response

769. The issues raised have been addressed in subsequent years 2022/2023.

Committee Observation

770. The Committee observed that the matter had been resolved as the issues raised were addressed in subsequent years (2022/2023).

10.3.11 Non-gazettement of board of directors and non-maintenance of meetings attendance register

771. The statement of financial performance reflects an amount of Kshs. 2,912,115 relating to appointment of persons to the board of governors of the institute for a period of three years from 29th September 20220, through individual appointment letters and without issuing a gazette notice. Further audit of records provided revealed that none of the nine appointed board of directors accepted the appointment in writing contrary to chapter 1.1(11) and (of (13) of Mwongozo which states that each board member shall formally be appointed to the board through a gazette notice and thereafter provide an appointment latter which shall signify their acceptance of the appointment, in writing.

772. In addition, attendance register for the meetings held during the year, was not maintained as required by Annexure E(8)(b) of Mwongozo, which states inter alia that attendance of the meetings so held be recorded, in addition to having a signed attendance register. In the circumstances, the validity of the director's remuneration of Kshs 2,912,115 for the year ended 30th June 2021 could not be confirmed. In addition, the institute was in breach of the law.

Management Response

773. The Management stated that they have consulted the Ministry of Education on the same.

Committee Observation

774. The Committee observed that the management was in fundamental breach of the law and the Mwongozo Code of Governance for State Corporations by paying remuneration (Kshs.2,912,115) to Board members whose formal appointment (Gazette Notice) was not confirmed and whose attendance could not be verified due to the absence of the mandatory signed attendance register.

The failure to adhere to Chapter 1.1(11) and (13) and Annexure E(8)(b) of Mwongozo compromises the validity of the expenditure and oversight functions.

Committee Recommendation

775. The Committee recommends and directs that the Accounting Officer urgently follows up with the Cabinet Secretary, Ministry of Education, to ensure the formal appointment of the Board of Governors is promptly published through a Gazette Notice and that all appointed members signify their acceptance in writing.

10.3.12 Unapproved budget

776. The Board-approved budget for the year ended 30th June 2021 reflects an income budget of Kshs. 172,130,490 and an expenditure budget of Kshs 174,630,990. However, there was no evidence that the ministry approved the institute's budget. This is contrary to Regulation 44(2) of the Public Finance Management (national government) Regulations,2015 which states that National Government entities shall execute their approved budget based on the annual appropriation legislation, and the approved annual cashflow plan with the exception of unforeseen and unavoidable spending dealt with through the contingencies fund, or supplementary estimates.

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

Management Response

778. The Committee has adhered to the regulations in the subsequent years 2022/2023.

Committee Observation

779. The Committee observes that the Management was in breach of Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by executing an unapproved budget, but notes that the issue has been resolved as the Management has committed to adhere to the regulations in subsequent years (2022/2023).

Committee Recommendation

780. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by obtaining formal approval of the Institute's budget from the Ministry prior to its execution and retaining evidence of such approval for audit purposes.

10.3.13 Unbalanced Budget

781. The statement of comparison of budget and actual amounts reflects an income budget of Kshs 172,130,490 and an expenditure budget of Kshs 174,630,990 resulting in a budget deficit of Kshs

2500,500 contrary to section 33(c) of the public finance management (National Government) Regulations, 2015 which states that budget shall be balanced.

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

Management Response

783. The management have adhered to the regulations in the subsequent years 2022/2023.

Committee Observation

784. The Committee observed that the management was in breach of Regulation 33(c) of the PFM (National Government) Regulations, 2015 by presenting an unbalanced budget, but notes the commitment to adherence in subsequent years (2022/2023).

10.4 Audited statement for the Financial Year 2021/22

10.4.1 Inaccuracies in Statement of Cash flows

785. The statement of cash flows reflects rendering of services - fees from students' amount of Kshs.99,302,690. However, the statement of financial performance reflects Kshs.118,845,217 on the same item resulting in unexplained and unreconciled variance of Kshs.19,542,527.

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

Management Response

787. As reported in the statement of performance guided by IPSAS Accrual basis of Accounting, the management was expected to collect Kshs.118, 845,217 as fees from students. However, the management was able to collect a total of Kshs.99, 302,690 with a deficit of Kshs. 19,542,527.

788. The variance is part of the capitation that was expected from the Ex-chequer.

Committee Observation

789. The Committee acknowledges that the management explained the variance of Kshs.19,542,527 by correctly distinguishing between the revenue recognised under the IPSAS Accrual basis (expected fee income) and the actual cash collected.

Committee Recommendation

790. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS).

10.4.2 Inaccurate Property, Plant and Equipment

791. The statement of financial position as of 30th June, 2022 reflects property, plant and equipment comparative balance of Kshs.569,393,126. However, Note 21 reflects Kshs.522,504,737 resulting in unexplained variance of unreconciled variance of Kshs.46,888,389.

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

Management Response

793. The correct comparative balance at 30th June 2021 is Kshs. 569,393,126 as in the statement of financial position. The same amount is reflected in the Audited Financial Statement for the Year ended 30th June 2021.

Committee Observation

794. The Committee observed that the matter had been resolved as the Management confirmed the correct comparative balance (Kshs. 569,393,126), thereby reconciling the Statement of Financial Position to the previously Audited Financial Statement.

10.4.3 Unaccounted Caution Money – Ksh.345,000

795. The statement of financial position and as disclosed in Note 25 to the financial statements reflects a balance of Kshs.345,000 in respect to caution money. However, the supporting list of the outstanding caution money and an analysis of the overdue refundable amounts for the previous years was not provided for audit review.

796. In addition, the Institute ought to surrender the unclaimed caution money to the Unclaimed Financial Assets Authority (UFAA) who are mandated to obtain, safeguard and reunite these assets to their rightful owners if the amounts have not been claimed from the Institute after a period exceeding two years.

797. In the circumstances, the accuracy, existence and propriety of the caution money balance of Kshs.345,000 could not be confirmed.

Management Response

798. The management has not maintained a separate bank account for caution money.

Committee Observation

799. The Committee observes that the failure by the Management to maintain a separate bank account for refundable deposits compromises the control over public funds and potentially places the Institution in breach of the Unclaimed Financial Assets Authority (UFAA) Act, Cap. 494 as there was no supporting list or analysis of outstanding caution money to justify the balance of

Kshs.345,000.

Committee Recommendation

800. The Committee recommends that the Accounting Officer must immediately establish a separate bank account for holding all refundable deposits, including caution money, in compliance with financial regulations. Furthermore, the Accounting Officer must provide a detailed analysis of the Kshs.345,000 and ensure strict compliance with the Unclaimed Financial Assets Authority Act by reporting and surrendering all unclaimed funds exceeding the statutory period.

10.4.4 Budgetary Control and Performance

801. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.178,207,500 and Kshs.146,297,542 respectively resulting in an under funding of Kshs.31,909,958 or 18% of the budget.

802. Similarly, the statement reflects the final expenditure budget of Kshs.178,207,500 and actual expenditure of Kshs.159,381,388 resulting in an under-expenditure of Kshs.18,826,112 or 11% of the budget.

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

Management Responses

804. This has been addressed by adopting budgetary control mechanisms of ensuring proper budget estimates are done and adjustments made before the year end for compliance with the PFM regulations.

Committee Observation

805. The Committee observed that the significant underfunding (18%) and consequent under-expenditure (11%) constrained the planned activities and impacted negatively on service delivery. The Committee notes management's commitment to improving budgetary control mechanisms and estimates in subsequent years.

Committee Recommendation

806. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets. Further, the Institution is encouraged to develop and engage in alternative income generating activities to increase their cash flow so as not to depend exclusively on government funding.

10.4.5 Non Gazettement of Board of Directors

807. The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.2,560,100 in respect of board expenses for the year ended 30th June, 2022. However, the Cabinet Secretary for Education appointed nine (9) persons to the Board of Governors of the Institute for a period of three (3) years with effect from 29 September, 2020 through individual appointment letters and without issuing a Gazette notice contrary to Chapter 1.8 (e) of Mwongozo Guidelines on appointments which states that each board member shall formally be appointed to the Board through a gazette notice and thereafter be issued with appointment letter to which they should signify their acceptance in writing.

808. Further, review of the records provided for audit revealed none of the nine (9) appointed Board of Directors accepted the appointment in writing contrary to provisions of Chapter 1.8 (e) of Mwongozo Guidelines on appointments which states that each board member shall formally be appointed to the Board through a Gazette notice and thereafter be issued with appointment letter to which they should signify their acceptance in writing and the directives of the appointing authority that the appointees should communicate their individual acceptance in writing.

809. In the circumstances, the Institute was in breach of the law.

Management Response

810. The Management stated that the current appointed Board of Governance members have signified the acceptance in writing.

Committee Observation

811. The Committee observed that the management was in fundamental breach of Chapter 1.8 (e) of the Mwongozo Guidelines on appointments by failing to obtain a formal Gazette Notice for the appointment of the Board of Governors. While management noted that the appointed members have since signified their acceptance in writing, the continuing absence of the mandatory Gazette Notice renders the legal status of the Board and the propriety of the Kshs. 2,560,100 board expenses questionable.

Committee Recommendation

812. The Committee recommends that the Accounting Officer urgently follows up with the Cabinet Secretary for Education to ensure the formal appointment of the Board of Governors is promptly published through a Gazette Notice. Further, the Accounting Officer must ensure strict compliance with Mwongozo Guidelines moving forward, recognizing that formal Gazettement is mandatory for

regularizing Board appointments.

11.0 KATINE TECHNICAL AND VOCATIONAL COLLEGE

813. Mr. Justine Muindu, Principal, accompanied by;

(i) Ms. Linet Mwongela- Finance Officer

(ii) Mr. Gideon Mwongela- Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Katine Technical and Vocational College, on 20th August 2024.

11.1 Audited statements for Financial Year 2018/2019

11.1.1 Inaccuracies In the Financial Statements

814. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.10, 903,309 while the supporting disclosure note 35 to the financial statements reflects Kshs.8,019,083 resulting to an unexplained variance of Kshs.2,884,226.

815. The statement of financial position reflects refundable deposits from customers balance of Kshs.7,751,896 While the disclosure Note 36 to the financial statements reflects Kshs.2,884,226; resulting to an unexplained variance of Kshs.4,867,670.

816. The statement of cash flows for the year ended 30 June, 2019 includes, capital reserves of Kshs.28,853,234 which was not supported with the relevant documents or explained by way of a note to the financial statements.

Management Response

817. We concur with the Auditors observations on the above inaccuracies in the financial statement.

818. The Institute was in its initial stages (starting) and there were no proper books of accounts maintained then.

819. The Institute lacked the capacity in terms of qualified Accounting staff and also accounting system to maintain proper books of accounts.

820. all the above issues were corrected in the 2020/2021.

Committee Observation

821. The Committee observed that the management explanation and their efforts to balance their financial statements.

Committee Recommendation

822. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS). 406.

11.1.2 Unaudited Opening Balances

823. Total net assets and liabilities of Kshs. 177,009,652 were reported as at 30 June, 2019. The balance includes the amounts of Kshs.35,787,142 relating to accumulated surplus brought forward from previous years and 121,224,507 relating to capital fund. However, management of the institute did not provide prior years audited financial statements to confirm the accuracy of the opening balances.

824. In the circumstances, the accuracy, validity, and completeness of these balances could not be confirmed.

Management Response

825. We concur with the Auditors observations on the amounts reflected on the financial position.

826. Proper books of accounts were not maintained.

827. The entity was in its initial starting point with the above said challenges the position changed.

Committee Observation

828. The Committee acknowledges that the management explanation and their efforts to balance their financial statements.

Committee Recommendation

829. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS). 406.

11.1.3 Unsupported Property, Plant and Equipment.

830. Statement of financial position reflects property, plant and equipment (P.P.E) balance of Kshs.136, 230, 043.The following anomalies were noted.

i. Management did not provide an updated fixed asset register.

ii. No depreciation was charged on the assets during the year and there was not balance of accumulated depreciation.

Management Response

831. We concur with the Audit observation on the amount of PPE shown on the statement of the financial position of kshs136,230,043. 2020/2021 changed and also depreciation of the institute assets was provided.

832. The current position has changed and the above regulation is being followed.

833. The documents below are attached:

i. Asset Valuation Report carried out in the year 2023

ii. Asset register

iii. Documents affirming ownership of the property.

Committee Observation

834. The Committee observed that the institution was not facilitated with a competent officer to manage their books of accounts, however, notes show that they have since regularized and have the correct documentations according to IPSAS 17.

11.1.4 Unsupported Receivables from Exchange Transactions

835. Receivable from exchange transactions balance of Kshs.11, 792,080 which relates to student debtors. However, the balance was not supported with a detailed ageing analysis.

836. No provision for bad and doubtful debts has been made to recognize impairments affecting the balance.

Management Response

837. The management by then was faced with challenges as previously outlined like, Lack of the capacity to prepare proper books of accounts and therefore the above figure was an arbitrary with no basis at all.

838. There were no ledger book accounts maintained hence accounts did not show opening balances, nor a supporting document showing the student balance as at the time student information was being feed to the ERP System. The question remained unanswered as the finance officer of the said period passed on.

Committee Observation

839. The Committee observed that the institution has since regularized their books of accounts however, the previous statements of financial position remain unaccounted for since it is difficult for the institution to retrieve documentation, as the previous finance officer passed on.

11.1.5 Unsupported Expenditures

840. The financial statements revealed that the expenditures totaling Kshs.9,045,889 were not supported with relevant documents as shown below;

Management Response

841. We concur with the Auditors Observation on the amounts unsupported.

842. A total amount of 9,045,889 that was not confirmed.

843. In reference to the above, we were able to retrieve the following attached expenditures

i. Employees cost totaling to Kshs.4,278,409 refer Appendix 4(a)

ii. Remuneration to Directors cost totaling to Kshs.436,000 Appendix 4(b)That contains sample of payment vouchers, Attendance list, Minutes and Invitation notification

iii. Use of goods and services totalling to Kshs.1,189,081 Appendix 4(c)invoice samples attached

iv. Repairs and Maintenance amount totalling to Kshs 233,600 Appendix 4(d)invoice samples attached

844. Even though there was unsupported expenditures the audit report for the year 2020/2021 changed.

Committee Observation

845. The Committee observes that an amount of Kshs. 9,045,889 could not be confirmed.

Committee Recommendation

846. The Committee recommends that the principal be more active in pursuing matters that were pending and seek documents from the bank so as to clear and balance their books of accounts.

11.1.6 Inaccuracies In Cash and Cash Equivalents

847. The cash and cash equivalents balance as at 30 June, 2019 was Kshs. 28,987,529 held in four (4) bank accounts, and also cash in hand. However, review of documents provided in support of the balance revealed the following anomalies.

i. Included in cash and bank amount is Kshs.57 in respect to cash balance as a t 30 June, 2019 which was however, not supported by way of a board of survey report and a cash count certificate.

ii. An amount of Kshs.1,064,800 for bank account No.1141253852 at Kenya Commercial showed a balance of Kshs.5,984,953 which implies that there is a Kshs.4,920,153 understatements on the bank balance.

Management Response

848. We cannot deny this position as the cashbook relating to this account 1141253852 for the period 2018/2019 could not be traced.

849. Nevertheless, the traced cash book for the period July 2019/2020 the opening Balance of the cashbook did concur to the closing balance of June 2019.

850. Refer Appendix 5 copy of the 2019 /2020 opening cashbook balance.

Committee Observation

851. The Committee observed the management explanation and their efforts to balance their financial statements.

11.1.7 Budgetary Control and Performance

852. 26. Revenue Budget and actual budget of Kshs. 145,990,655 and 41,398,216 resulting in a shortfall of Kshs. 104,592,439 representing 72% of the budget.

853. Kshs. 438,000 incurred on Board of Governors without an actual budget.

Management Response

854. We concur with Auditors observation on budgetary control and performance

855. That there is a big margin in comparison s between budget Estimates and Actual figures

856. We confirm that, This Position has currently changed and the margin has greatly changed.

857. Refer Appendix 6 (attachment copy of budget Estimates for the year 2023/2024 and copy of a revised budget Estimates done in February 2024 confirming an improvement)

858. The Kshs 438,000 observed by the auditor is correct.

859. Refer Appendix 7 (attached document showing appointment of Board of Directors in sept 2018 when the budget had already been approved and no supplementary budget was done.

Committee Observation

860. The Committee observes that the significant underfunding and corresponding under- expenditure constrained the planned activities and demonstrates weaknesses in budget execution.

Committee Recommendation

861. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets. Further, the institution should develop and engage in alternative income generating activities to increase their cash flow so as not to depend exclusively on government funding.

11.1.8 Failure to submit Financial Statements for the previous years for audit.

862. The institute failed to submit financial statements to the auditor general for the years 2013/2014 to 2017/2018

Management Response

863. We concur with the Auditors observation.

864. During these periods in question, the Institute was in its initial stages (starting) and no proper books of accounts were maintained. The Institute lacked the capacity to have proper implementation of TVET Act 2013.

865. We confirm the above observation changed.

866. See Appendix 8(that shows the financials for the year 2019/2020 we received by the National Treasury

Committee observation

867. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee recommendation

868. The Committee reprimands the Accounting Officer for negligence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

11.1.9 Errors Of Presentation and Disclosures in the Financial Statements

869. Review of the financial statements revealed errors of presentation and non-compliance with the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB) as follows:

i. Report on Key Entity Information and Management does not include Board of Governors while Chairman of Board of Governors is erroneously listed as part of fiduciary management. Only the names of Fiduciary Management Committee members are indicated, instead of providing a high-level description of the fiduciary oversight arrangements. Further, Audit Committee and its functions is not included as an oversight body.

ii. Report on Board of Governors lack adequate information regarding dates of birth, key qualifications, work experience and photos for some Board Members.

iii. Chairman's Statement and Statement of Board of Governors Responsibilities has not been signed by Chairman of BOG.

iv. Report on Management Discussion and Analysis and Report of the Principal does not make use of diagrams, charts and tables as provided for in the prescribed template. Further, details of operational and financial performance for the year were not included.

v. Statement of Financial Position has not been signed by the Chairman of Board of Governors and Finance Officer as required. Further, details of ICPAK membership of the Finance Officer have not been included.

vi. The statement of cashflows reflects notes against various items which do not correspond to the specified disclosure notes in the notes to the financial statements as shown below;

vii. The statement of comparison of budget and actual erroneously reflects use of goods and services actual expenditure of Kshs.3,815,130 instead of Kshs.11,957,794 while actual expenditure for general expenses is erroneously reflected as Kshs.11,957,794 instead of Kshs.3,815,130

Management Response

870. We concur with the Auditors opinion regarding this observation.

871. Nevertheless, the Audit report for the year 2020/2021 change

Committee observation

872. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee recommendation

873. The Committee reprimands the Accounting Officer for negligence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

11.1.10 Failure to Comply with Budget Approval Procedures

874. Review of documents revealed that, Management prepared annual estimates for the year ended 30 June, 2019 but the estimates were not submitted to the Cabinet Secretary for approval

Management Response

875. We concur with the Auditors observation, though following the Audit report for the year 2020/2021.The Audit opinion changed and this clearly shows that, the weakness was corrected.

Committee Observation

876. The Committee observed that the management was in breach of Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by executing an unapproved

budget, but notes that the issue has been resolved as the management has committed to adhere to the regulations in subsequent years (2022/2023).

Committee Recommendation

877. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by obtaining formal approval of the Institute's budget from the Ministry prior to its execution, and retaining evidence of such approval for audit purposes.

11.1.11 Awards of Tenders to Non-Pre-Qualified Suppliers

878. Review of procurement documents revealed that the payments totaling Kshs.4,949,046 were made to thirteen (13) suppliers for the supply of various goods and services during the year under review.

879. This is in contravention of Section 95(3) of the Public Procurement and Assets Disposal Act, 2015 which provides that procuring entity shall invite tenders from only the approved persons who have been prequalified.

Management Response

880. We concur with the Auditors observation, nevertheless currently

Committee Observations

881. The Committee observes that the institution acknowledges their inability to adhere to the rules and regulations provided, however, since the appointment of the new finance officer, efforts are being made to operate within the law as required.

11.1.12 Lack Of Approved Staff Established and Salary Grading Structure

882. The Institute did not have an approved staff establishment during the year under audit and there was no approved salary grading structure for the employees. Consequently, it was not possible to confirm how the salaries and other remunerations paid to staff members were determined.

Management Response

883. We concur with the Auditors observations.

Committee Observations

884. The Committee observes that the institution acknowledges their inability to adhere to the rules and regulations provided, however, since the appointment of the new finance officer, efforts are being made to operate within the law as required.

885. The Staff Establishment is currently available, approved and operational.

11.1.13 Staff Recruitment

886. Review of the payroll revealed that fourteen (14) staff members were recruited on permanent terms of service during the year under review. However, the Institute does not have an approved policy document on recruitment and it was not clear whether the said staff were recruited in a lawful and competitive manner.

887. Review of the related personal files revealed that application letters (including the curriculum vitaes) for some of the applicants were missing. In addition, review of the recruitment minutes presented for audit showed that some staff members recruited during the year had not been shortlisted for interviews.

Management Response

888. We concur with the Auditors observation.

Committee Observation

889. The Committee observes that all employees were employed by the Public Service Commission who ought to provide the necessary documentations.

Committee Recommendation

890. The Committee recommends the Public Service Commission to conduct its advertisement, interviews and appointments in an open and orderly manner to avoid placements without clear documentation.

11.1.14 Missing Employee Document

891. Management did not provide for audit details on casual employees engaged by the Institute during the year under review including, how the need was determined, approval for engagement and terms of service.

892. Further, the payrolls provided for audit lacked authorization from responsible officers and were not consistent. In addition, Management did not provide a complete list of its employees for audit verification.

893. In the circumstances, management of the Institute has failed to comply with the Section 3(1) of Technical and Vocational Education and Training Act, Cap. 210A on matters of human resource Management.

Management Response

894. The Management stated that they concur with the Auditors observation on the matter raised on 2018/2019 audit Report.

895. The Management further stated that they would like to confirm that the position has changed.

Committee Observation

896. The Committee observed that the details were provided and verified by the office of the Attorney General thus the issue is addressed.

11.2 Audited statements for Financial Year 2019/2020

11.2.1 Presentation And Disclosure in the Financial Statements

897. Review of the financial statements revealed unsatisfactory matters of presentation and disclosure as follows:

i. The report on key entity information and management does not include the Board of Governors as part of key management, while the Chairman of the Board of Governors is erroneously listed as part of fiduciary management. Further, the report only indicates the name of fiduciary management committee members without providing a high-level description of the fiduciary oversight arrangements. In addition, the Audit Committee functions is not included as an oversight body.

ii. The report of the principal does not include some prescribed information such as successes consolidated, challenges being faced and the way forward or future outlook for the institute. In addition, high level information on the financial performance has not been included.

iii. The report of the Board of Governors indicates the financial performance of the institute for the year ended 30 June, 2019 instead of 2020.The report further indicates that the financial performance of the Institute is set out on page 22 to page 43 while the reports are on pages 1 to 45. The same report has reported that the members of the Board who served during the year are shown on pages 5 to 8 while the financial statements reflect them on pages xviii to xx.

iv. The statement of the Board of Governors' Responsibilities reported that the Board of Governors are responsible for preparation of financial statements for the year ended 30 June, 2019 instead of 30 June 2020.

v. The ICPAK membership number of the Finance Officer who signed the financial statements was not indicated.

vi. Appendix 1 on progress on follow up of auditor recommendation does not indicate the previous year's audit issues and their subsequent resolution or otherwise.

Management Response

898. We concur with the Auditors report on the above, but would wish to confirm that the preceding year audit opinion changed clearly showing that the problem was corrected.

Committee Observation

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

11.2.2 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

900. The statement of comparison of budget and actual amounts reflects Nil receipts on transfers from other Government entities, while the statement of financial performance and Note 6 to the financial statements reflects actual receipts of Kshs.2,800,750. Further, the heading of the statement of comparison of budget and actual amounts is indicated as for the year ended 30 June, 2019 instead of 30 June, 2020.

Management Response

901. The Management stated they concur with the Audit findings and wish to refer to the Proceeding year that the above observation was corrected. (Audit opinion on financial statements for the year 2020/2021

Committee Observation

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

11.2.3 Inconsistencies in Referencing of Notes to the Financial Statements

903. Review of the financial statements revealed various inconsistencies between references to disclosure Notes to the financial statements and the actual numbering of the corresponding notes

Management Response

904. The Management stated that they concur with the Auditors opinion over the above observation.

905. Further, the Management stated that during these periods of audit, the institute lacked the capacity hence proper maintenance of books of accounts was unachievable.

906. Nevertheless, the preceding year of Audit shows that there was improvement as the Audit opinion for the year 2020/2021 changed.

Committee Observation

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

11.2.4 Unsupported Plant, Property and Equipment

908. Financial statements, reflects a balance of Kshs.153,323,654 in respect of property, plant and equipment. However, no supporting documents including valuation reports and ownership

documents, were provided. Further, the Management did not provide a fixed asset register in support of the balances of the assets held by the Institute as at 30 June, 2020.

Management Response

909. The Management referred the Committee to the previous year response on property, Plant and Equipment

Committee Observation

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

11.2.5 Unsupported Related Party Transaction

911. The statement of financial position reflects a related party balance of Kshs.37,884,284 under current assets which was not supported by way of a Note to the financial statements. Further, the balance was not supported with the relevant supporting documents.

Management Response

912. The Management stated that they concur with the Auditors opinion on the above observation.

913. Katine Technical Institute was given the Mandate to mentor Mwala TVC. At this period Katine was Mentoring Mwala. The amount quoted under current asset was Amount transfers for the construction of Mwala TVC.

914. On further search of supporting documents, we were able to retrieve documents supporting the transfer of funds to Construction company called Admo Construction company and other transfers.

Committee Observation

915. The Committee observed that the matter had been resolved as the management presented the supporting documents to both the Committee and the Auditor General for verification.

11.2.6 Un supported Repairs and Maintenance Expenditure

916. The statement of financial performance and as disclosed in Note 19 to the financial statements reflects an amount of Kshs.2,757,141 in respect to repairs and maintenance expenses. Included in the expenditure is an amount of Kshs.1,282,981 which was not supported with adequate relevant supporting documents such as payment vouchers and invoices.

917. Consequently, the completeness, accuracy and validity of the repairs and maintenance expenditure of Kshs.1,282,891 could not be confirmed.

Management Response

918. We concur with the Auditors observation on the unsupported amount of repairs and Maintenance during the time of Audit of the financials

919. On search of the above-mentioned supporting documents, we were able to retrieve the attached documents supporting that repairs and Maintenance took place.

Committee Observation

920. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

11.2.7 Unsupported Remuneration of Directors

921. The statement of financial performance and as disclosed in Note 17 to the financial statements reflects an expenditure on remuneration of Directors of Kshs.1,127,250.

922. The expenditure was not supported with adequate relevant documents such as payment vouchers and expenditure schedules.

923. Consequently, the completeness, accuracy and validity of the remuneration of Directors' expenditure of Kshs. 1,127,250 could not be confirmed.

Management Response

924. We concur with the Auditors Opinion on the above unsupported amounts incurred in respect to Director's expenditures.

925. The challenges outlined on the previous year audit repeats itself, showing still the Institute was facing the sale challenges in terms capacity hence lack of proper maintenance of books of accounts.

926. In search of supporting documents of the above expenditure, we were able to retrieve documents relating to directors expenditures amounting to Kshs 1,128,000 as per the attached list.

Committee Observation

927. The Committee observed that the inconsistency and inaccuracy found in the books of accounts indicates a need for stringent validation of figures before reporting.

Committee Recommendation

928. The Committee recommends that the Accounting Officer implements a verification mechanism to ensure mathematical accuracy and rigorous consistency within their

performance statements.

11.2.8 Overstated Administrative Fees

929. Kshs. 30,975,872 for administrative expenses includes an amount of Kshs. 19,163,199 in respect of administration fees which in turn includes Kshs. 7,940,441 relating to inter-bank transfers (Kshs.6,440,441 transferred to EC Work and Kshs.1,5000,000 refund of money borrowed from C0-operative Bank Development Account). Inter-bank transfers do not represent expenditures for the institute and thus the administrative fees amount has been overstated by the amount Kshs.7.975,875 could not be confirmed.

Management Response

930. The Management stated that they cannot deny the position because of the challenges that was facing the Institute the and are unable to trace documents supporting the transfers as there was no even proper filling done

931. They also stated that they concur with the Audit observation that these transfers do not absolutely form part of Katine Expenses neither administrative or otherwise.

Committee Observation

932. The Committee observed that the inconsistency and inaccuracy found in the books of accounts indicates a need for stringent validation of figures before reporting.

Committee Recommendation

933. The Committee recommends that the Accounting Officer implements a verification mechanism to ensure mathematical accuracy and rigorous consistency within their performance statements.

934. Further, the Committee cites the Accounting Officer for negligence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

11.2.9 Differences between Financial statements and the General Ledger

935. Examination of the amounts and balances reflected in the financial statements, against the general ledger provided revealed variances.

Management Response

936. These inaccuracies occurred due to the challenges outlined before, though, the same did not reoccur in the year 2020/2021 as reflected in the Audit Report

Committee Observation

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

11.2.10 Unreconciled Cash and Cash equivalents

938. Financial statements reflect a balance of Kshs.43,353,691 being funds held in 4 commercial banks. However, cashbooks for 3 of the 4 bank accounts were not up to date as at 30th June 2020 and one cashbook was not availed for audit.

939. Bank reconciliations for 3 bank accounts had not been prepared on a monthly basis.

Management Response

940. The Management stated that they do concur with the Auditors Opinions in respect to Monthly Bank reconciliations.

941. This problem was corrected, as the Audit opinion for the year 2020/2021 changed.

Committee observation

942. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee Recommendation

943. The Committee reprimands the Accounting Officer for negligence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

11.2.11 Unsupported Receivables from exchange transactions

944. Receivables from exchange transactions balance of Kshs. 18,703,059 which relates to student debtors was not supported by way of a detailed debtors ageing analysis. Further, the provision for bad and doubtful debts was not made to recognize impairments on the balance.

Management Response

945. We concur with the Audit observation on the above.

Committee Observation

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

11.2.12 Inaccuracy of the Financial statements

947. The statement of financial position reflects total net assets and liabilities amount of

Kshs.253,788,768 while the statement of changes in net asset reflects an amount of Kshs.204,508,692 resulting in an unexplained variance of Kshs.49,280,076.

Management Response

948. We cannot deny the Auditors Observation on the above inaccuracies. This as previously explained, was due to the challenge the Institute was facing as highlighted

Committee Observation

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

11.2.13 Budgetary control and Performance

950. Receipts Budget and actual budget of Kshs.94,728,031 and Kshs.63,851,749 resulting in a shortfall of Kshs. 30,876,282 representing 33% of the budget.

951. The institute expended Kshs.39,153,459 against an approved budget of Kshs.94,728,031 resulting to an under-expenditure of Kshs. 55,574,572 or 59% of the budget.

Management Response

952. We concur with the Auditors Observation, but we wish to confirm that, the Management currently do consider coming up with a supplementary budget which has narrowed the gap greatly.

Committee Observation

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

11.2.14 Delayed Completion of Administration and Tuition Block

954. Contract for completion of an administration and tuition block was awarded to a contractor on 20th November 2015 at a contract sum of Kshs. 19,969,041 for a period of 52 weeks. Physical inspection in February 2021 showed that the project had not been completed. The contractor had been paid Kshs.16,405,474 through interim certificate no. 4 of 21 December 2016 and two requests for payment had been submitted through interim certificate number 5 for Kshs.1,800,575 and no. 6 for 1,882,110 which were not honored due to a dispute.

955. The contractor had placed a demand for payment of Kshs.10,377,643 consisting of an outstanding balance from the awarded contract and claims for delay in settlement of the submitted interim certificates.

956. No documents were provided to confirm the extension of time granted.

Management Response

957. The Board of Governors has been in discussion with the Contractor where a dispute arose, and re measurement of the work done was carried out by the public of works Nairobi. The dispute was forwarded to the Attorney general and the ministry of Education (Tvet). The ministry was requested to meet the two parties (the contractor and the institute) to agree on the matter.

958. This went on and on up to now where by the Board has presented appending bill of Kshs 4,500,000 resulting from the contractors claim of his retention money and interest there on.

Committee Observation

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

11.2.15 Failure to Comply with Budget Approval Procedures

960. Review of documents revealed that, Management prepared annual estimates for the year ended 30 June, 2019 but the estimates were not submitted to the Cabinet Secretary for approval

Management Response

961. We concur with the Auditors observation, though following the Audit report for the year 2020/2021.The Audit opinion changed and this clearly shows that, the weakness was corrected.

Committee Observation

962. The Committee observed that the management was in breach of Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by failing to comply with budget approval procedures, however, notes that the issue has been resolved as the management has committed to adhere to the regulations in subsequent years.

Committee Recommendation

963. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by obtaining formal approval of the Institute's budget from the Ministry prior to its execution, and retaining evidence of such approval for audit purposes.

11.2.16 Lack of Approved Staff Establishment and Salary Grading Structure

964. The Institute did not have an approved staff establishment during the year under audit and there was no approved salary grading structure for the employees.

965. Consequently, it was not possible to confirm how the salaries and other remunerations paid to staff members were determined.

Management Response

966. The Management stated that they do concur with the Auditors

967. Further, they stated that currently the institute has a Human Resource Policy which has addressed the entire employee's matters.

Committee Observation

968. The Committee observed that an institution cannot operate without an approved staff establishment. This means that there is no guiding factor for their operations which is against the law.

Committee Recommendation

969. The Committee recommends that the management of the institution make it a deliberate agenda to have an approved staff establishment which also guides the grading salaries of employees to ensure smooth operations within the institution.

11.2.17 Staff Recruitment

970. Review of the payroll revealed that five (5) staff members were recruited during the year under review. However, the Institute does not have an approved policy document on recruitment and it was not clear whether the said staff were recruited in a lawful and competitive manner.

971. All the recruited staff were males implying that gender balance was not considered.

Management Response

972. We concur with the Auditors observation.

Committee Observation

973. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

974. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Gender balance as stated in both the constitution and the National Cohesion and Integration Act should be strictly adhered to by all organizations.

11.3 Audited statements for Financial Year 2020/2021

11.3.1 Unsupported Receivables from exchange transactions

975. Receivables from exchange transactions of Kshs.27,471,771 relating to student debtors. However, supporting documents such as detailed ageing analysis of the debtors was not provided for audit review. In addition, the management did not make a provision of bad debts.

Management Response

976. The Management was in agreement with the Audit observations.

Committee Observation

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

11.3.2 Unconfirmed Inventories

978. The statement of financial position and Note 21 to the financial statements reflects the inventories of Kshs. 153,309. However, the physical stock take sheets were not provided for audit review. Further, inspection of the stores revealed that it does not have stock accountable documents such as S13(counter receipt voucher), stores ledger control card, bin cards and S12(Counter requisition and issue voucher)

979. In the circumstances, the accuracy and completeness of the inventories balance of Kshs.153,309 could not be confirmed.

Management Response

980. We accept the Auditors observation as it. Though we would like to confirm that the status has changed and currently we have put controls over inventories. The attached documents confirm the current status.

Committee observation

981. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee Recommendation

982. The Committee recommends and directs that the Ministry of Education deploys competent staff to learning institutions to avoid unnecessary errors which refrains the maximum operations of the institution.

11.3.3 Budgetary control and Performance

983. Receipts Budget and actual budget of Kshs.86,374,180 and Kshs.17,096,976 resulting in a shortfall of Kshs. 69,277,204 representing 80% of the budget.

984. The institute expended Kshs.27,382,090 against an approved budget of Kshs.86,374,180 resulting to an under-expenditure of Kshs. 58,992,090 or 68% of the budget.

Management Response

985. The Management made reference to their previous Audit response outlined in the 2018/2019 Audit response

Committee Observation

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

11.3.4 Irregular Procurement of Students Accommodation

987. Kshs.4,899,157 boarding fee charges include kshs.3,224,315 paid to another institution for students accommodation. However, documents supporting the procurement process was not provided for audit.

Management Response

988. We concur with the audit observation that the procurement process was not followed

989. The only documents that we were able to retrieve regarding the above payment is,

    i. A memorandum of understanding between the institution and the service provider (Holy Rosary)

    ii. Minutes for appointment of the service provider

Committee Observation

990. The Committee observed that the procurement process was not duly adhered to thus the management was in breach of the law

Committee Recommendation

991. The Committee recommends that the management adhere to laws stipulated particularly procurement laws in accordance to the Public Procurement and Asset Disposal (PPAD) Act, Cap. 412C.

11.3.5 Delayed Completion of Administration and Tuition Block

992. Contract for construction of an administration and tuition block was awarded to a contractor on 20th

November 2015 at a contract sum of Kshs. 19,969,041 for a period of 52 weeks ending on 14 November,2016. However, physical inspection which was carried out in April,2022 revealed that the project was at 69% complete and the contractor had been paid Kshs.16,405,474 through interim certificate no. 4 of 21 December 2016.The contractor had also submitted two additional requests for payment through interim certificates and two requests for payment had been submitted through interim certificate No 5 for Kshs.2,639,000 and No. 6 for 1,883,394 which were not honoured because the amounts were in dispute.

993. Further, no documents were provided for audit to confirm that an extension of time had been granted by the Institute to the contractor for the completion of the remaining works.

Management Response

994. The Board of Governors has been in discussion with the Contractor where a dispute arose, and re measurement of the work done was carried out by the public of works Nairobi.The dispute was forwarded to the Attoney general and the ministry of Education (Tvet). The ministry was requested to meet the two parties (the contractor and the institute) to agree on the matter.

995. This went on and on up to now where by the Board has presented appending bill of Kshs 4,500,000 resulting from the contractors claim of his retention money and interest there on.

Committee Observation

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

11.3.6 Lack of Internal Audit Function and Audit Committee

997. Audit revealed that the Institute did not have in place a functional internal audit unit to appraise the Management activities and operations. In addition, the institute did not have an Audit Committee in place to provide oversight over Management's financial accountability.

Management Response

998. The Management concurred with the Auditors.

999. The Management stated that currently the institute has a Human Resource Policy which has addressed the entire employee's matters.

Committee Observation

1000. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified an approved internal audit function.

11.4 Audited statements for Financial Year 2021/2022

11.4.1 Inaccuracies in the Statement of Cash Flows

1001. The statement of cash flows reflects net cashflow from operating activities of Kshs.31,084,497 while recalculation indicates a balance of Kshs. 9,213,788 leading to unreconciled and unconfirmed variance of Kshs. 21,870,709.

Management Response

1002. We concur with the Auditors opinion. This was an oversight and there was a change in the subsequent financial statement in the preparation of cashflow.

Committee Observation

1003. The Committee observed that the management explained the variance of Kshs.21,870,709 by correctly distinguishing between the revenue recognised under the IPSAS Accrual basis (expected fee income) and the actual cash collected.

Committee Recommendation

1004. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS). 406.

11.4.2 Long Outstanding Receivables from Exchange Transactions

1005. Receivables from exchange transactions balance was Kshs.23,565,754 However, the debtors schedule reflected student debtors totaling Kshs.19,009,194 or 81% of the receivables balance which had been outstanding for more than 180 days, some up to three years. This casts doubt on their collectability. In addition, the institute does not have a policy on the provision of bad and doubtful debts

Management Response

1006. The Management was in concurrence with the Audit observation.

1007. The long outstanding balances have been caused by delays in capitation, Helb and NYS disbursement.

1008. However, the management has put in place; financial manual, fees collection policy and risk management policy to enhance fees collection and reduce the risk of irrecoverability. Through the above named polices, student debtors has improved as attached aging analysis for subsequent year.

1009. The analysed data shall be presented to the board of management for provision of writing doubtful to be subsequently forwarded to the permanent secretary TVET.

Committee Observation

1010. The Committee observed that the underfunding has negatively affected the operations of the institution which is currently in debts.

Committee Recommendation

1011. The Committee recommends that the Ministry of Education makes it a priority to fund learning institutions for maximum service delivery and operations within them.

11.4.3 Unsupported Expenditure-Travel and Accommodation

1012. Use of goods and services balance of Kshs. 35,382,992 included travelling and accommodation expenses totaling Kshs.3,036,465. Review of the supporting documents provided shows that imprests were paid through cash withdrawn by the finance department without imprest warrants.

1013. Further, imprest advanced for domestic travel was not accounted for through surrender vouchers with relevant support documentation such as; requisitions, schedule of payment, work tickets, fuel receipts and back to office reports.

Management Response

1014. The Management is in concurrence with the Auditors opinion over the above observation.

1015. However, budgets for activities to be done were made and the Cash withdrawals by the Finance officer posted to the petty cashbook with required documents.

1016. Currently, the institute has formalized the application of imprests through imprest warrants as attached imprest reports for the subsequent year.

Committee Observation

1017. The Committee observed that the matter has been resolved as the Auditor General was satisfied with the Management Responses having verified requisite documentations.

11.4.4 Budget Control and Performance

1018. Budgeted total income amounted to Kshs.85,480,097 against actual receipts of Kshs.56,328,115 resulting to underfunding of Kshs.29,151,982 or 34% on the budget. Similarly, the Institute expended Kshs.47,114,327 against the budgeted expenditure of Kshs.85,480,097 resulting to under expenditure of Kshs.38,365,770 or 45% of the budget.

Management Response

1019. We concur with the Auditors observation on budgetary control and performance.

1020. There is a big margin in comparison between budget estimates and actual figures and this was due poor fees payment and delayed disbursement of HELB, Capitation and NYS fees. However, we confirm that the position has currently changed and the margin has greatly changed as per attached budget and financial reports for subsequent year.

Committee Observation

1021. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.4.5 Unauthorized Expenditure

1022. Review of the approved budget revealed actual over expenditures of components against their approved budget aggregating to Kshs. 716, 365.

Management Response

1023. We concur with the Auditors opinion over the above observation. While the over- expenditures were driven by increased enrolment and under budgeting. We acknowledge that the right process of budget realignment and approval was not followed.

1024. We are committed to ensuring such instances are not repeated in the subsequent years. We appreciate this observation and assure you of our ongoing efforts to enforce financial discipline and statutory compliance.

Committee Observation

1025. The Committee observed that the management was in breach of Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by executing an unapproved budget, but notes that the issue has been resolved as the management has committed to adhere to the regulations in subsequent years (2022/2023).

Committee Recommendation

1026. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Regulation 44(2) of the Public Finance Management (National Government) Regulations, 2015 by obtaining formal approval of the Institute's budget from the Ministry prior to its execution, and retaining evidence of such approval for audit purposes.

11.4.6 Lack of Effective Cash Management

1027. Cash and cash equivalents balance was Kshs.30,821,938. Review of the cash management operations revealed that the institute maintains a petty cash float system with a limit of

Kshs.500,000 per week. The system of petty cash float however is not well supported as it lacks approved petty cash replenishment vouchers, daily cash reconciliations, evidence of weekly surprise cash checks and a petty cash book to monitor replenishments and cash payment made.

Management Response

1028. We concur with the Auditors opinion over the above observation. The management has improvised system of controlling petty cash.

Committee Observation

1029. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response as they have since regularized and devised a system to control petty cash as verified by the Auditor General.

11.5 Audited statements for Financial Year 2022/2023

11.5.1 Unsupported property, plant and equipment

1030. The property, plant and equipment balance was Kshs. 185,676,804 which included land and buildings valued at Kshs. 91, 657,116. However, the title deed for the land on which the Institute is located and the revaluation report were not provided.

Management Response

1031. Management acknowledges the findings regarding property, plant, and equipment and has outlined the following corrective actions: Title Documents for Land which they acknowledge to be is in process of transferring the land to be owned by Katine Technical currently awaiting the title deed and also the institute engaged professional valuer during the subsequent year.

Committee Observation

1032. The Committee observed that the institution does not possess a title deed under its name and the land is still in ownership by the county government of Machakos.

Committee Recommendation

1033. The Committee recommends that the institution makes deliberate efforts to acquire its title deed to ensure security of its properties.

11.5.2 Long outstanding receivables from exchange transactions

1034. Receivables from exchange transactions balance was Kshs. 40,460, 151 which included student debtors balance of Kshs. 37,322, 768 and sundry debtors of Kshs. 3,137,383.

1035. Included in the student debtors are receivables brought forward amounting to Kshs. 22,940,954 out of which Kshs. 13,757,295 has been outstanding for more than three(3) years. Further the Institute

does not have a policy on provision for bad and doubtful debts.

Management Response

1036. Management concurs with the Audit observation.

1037. The long outstanding balances have been caused by delays in capitation, Helb and NYS disbursement.

1038. However, the management has put in place; financial manual, fees collection policy and risk management policy to enhance fees collection and reduce the risk of irrecoverability. Through the above named polices, student debtors has improved as attached aging analysis for subsequent year.

1039. The analysed data shall be presented to the board of management for provision of writing doubtful to be subsequently forwarded to the permanent secretary TVET

Committee Observation

1040. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.5.3 Unsupported cash and cash equivalents balance

1041. Cash and cash equivalents balance was Kshs. 4,879,661. Review of the bank reconciliation statements revealed that there were reconciling items amounting to Kshs. 185,440 dating back to the year 2021 had not been reversed in the cashbook. Further, the institute has a management Information system which has not been automated to post receipts from students to the system resulting in manual posting since all payments are received via direct banking through Pay bill transactions.

Management Response

1042. We concur with the Audit observation. The institution is in process of implementation of a Bank Integration Module for ERP system to enable seamless integration with our bank, facilitating automatic payment processing, ensuring updated debtor's balance, facilitate easier bank reconciliation and reducing manual data entry.

Committee Observation

1043. The Committee observed the management's efforts in resolving the issue and further pronounces that they should have all systems functional one (1) month upon adoption of the report by the House.

11.5.4 Budgetary control and performance

1044. Final receipts budget and actual amount on comparable basis were Kshs. 94,865,625 and Kshs. 85,588,396 respectively, resulting to underfunding of Kshs. 9,277,229 or approximately 10% of the budget. The Institute spent Kshs. 71,701,948 against actual receipts of Kshs. 85, 588,396 resulting to under expenditure of Kshs. 13,886,448 or approximately 16% of the actual receipts.

Management Response

1045. We concur with the Auditors observation. There is a margin in comparison between budget estimates and actual figures and this was due poor fees payment and delay in government disbursement and NYS fees. However, we confirm that the position has currently changed and the margin has greatly changed as per attached budget and financial reports for subsequent year.

Committee Observation

1046. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.5.5 Irregular Management of imprests

1047. Review of sampled vouchers revealed that imprest is expensed at the point of issuance instead of being treated as a receivable from the staff and expensed only upon the member of staff giving an account with relevant supporting documentation. In addition, the sampled vouchers lacked staff signed imprest warrants while the surrender documentation submitted was insufficient to support the imprest issued.

Management Response

1048. Management concur with the Auditors observation.

1049. However, through the current working system (ERP) the accounting procedure is followed that the staff will first request imprest through the system to ensure that imprests are treated as receivables once approved until properly accounted by the staff to be treated as an expense.

1050. The institution has enforced strict compliance with the requirement for signed imprest warrants and ensures that all imprest surrendered are supported by the necessary documentation. Through proper application of the system for imprest application it restrict any staff with outstanding imprest to apply for another and ensure that no further 1052. advances are issued until previous advances are cleared.

Committee Observation

1051. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

11.5.6 Delay in appointment of board members

1052. Review of the institute's records revealed that the Board Members term for the institute expired on 13 November 2022 while the new Board members were appointed on 5 May 2023. The institute therefore operated for a five-month period without a board to play the oversight role of development, performance and maintenance of an effective system of internal control on the institute.

Management Response

1053. The Management concur with the Auditors opinion.

1054. The nomination of board members will be done on time and forwarded to state department for onward transmission to the CS for approval and appointment of Board Members.

Committee Observation

1055. The Committee observed that the institution is operational without the constitution of board of governors which is contrary to the law.

Committee Recommendations

1056. The Committee recommends that the Accounting Officer urgently follows up with the Cabinet Secretary, Ministry of Education, to ensure the formal appointment of the Board of Governors is promptly published through a Gazette Notice and that all appointed members signify their acceptance in writing.

11.5.7 Lack of an approved risk management policy

1057. The Institute management had not put in place risk management policy, strategies and risk register to mitigate against risk. It was therefore not clear how Management manages risk exposures

Management Response

1058. We acknowledge the audit concern that the Institute had not developed or implemented a formal Risk Management Policy; hence a Risk management committee was constituted in and drafted Risk management policy.

Committee Observation

1059. The Committee observed that the matter has been addressed in previous financial years and

reiterates its recommendations.

11.6 Audited statements for Financial Year 2023/2024

11.6.1 Inaccuracies in the statement of cashflows

1060. Cash generated from operating activities excluded Kshs.22,206,892 relating to increase in receivables from exchange transactions. Further, statement of financial position indicated that increase in receivables amounted to Kshs.2,977,060, hence misstating the increase in receivables by Kshs.19,229,832.

1061. Further, statement of cashflows reflects fees from students amounts of Kshs.28,850,067 but analysis done by audit revealed an amount of Kshs.35,224,361 resulting to unexplained variance of Kshs.6,374,294.

Management Response

1062. We concur to the observation; the institute has amended the statement of cash flows.

Committee Observation

1063. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.2 Unconfirmed Property, Plant and Equipment

1064. The statement of financial position and as disclosed in Note 31 to the financial statements reflect property, plant and equipment balance of Kshs.180,072,494. The balance includes land and buildings valued at Kshs.17,790,000 and Kshs.77,631,000 respectively. Although, Management explained that the process of transfer of title from the previous owner is ongoing, no evidence was provided for audit review. In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.95,421,000 could not be confirmed.

Management Response

1065. We concur to the observation that the institute is in the process of transferring the land from the municipal council of Machakos to the Katine T.T.I. Find attached

Committee Observation

1066. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.3 Inaccuracies in the Current Portion of Receivables from Exchange Transactions

1067. Current portion of receivables from exchange transactions balance was Kshs.43,437,211 which included student debtors balance of Kshs.43,227,610. Analysis of the student billing data, the fees

payments as per the bank/cashbook and the balance brought forward revealed a balance of Kshs.53,154,362 resulting to unexplained variance of Kshs.9,926,752.

1068. Management did not explain mechanisms put in place to recover the debts, despite the risk of loss of revenue accruing from non-recovery of the debts.

Management Response

1069. We concur with the Audit observation on long outstanding receivables from exchange transactions. The long outstanding balances have been caused by delays in capitation, Helb and NYS disbursement. The long outstanding debts will be escalated to the Board with a recommendation for provision which will be forwarded to accounting officer for final decision. However, the management has put in place; financial manual, fees collection policy and risk management policy to enhance fees collection and reduce the risk of recoverability. Through the above named polices, student debtors has improved as attached aging analysis for subsequent year. Find attached;

Committee Observation

1070. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.4 Unsupported Travelling and Accommodation Expenditure

1071. The financial statements reflect use of goods and services amounting to Kshs.58,050,763. Sampled payment vouchers totaling Kshs.1,081,900 were not supported with work tickets showing proof of travel and imprest warrants.

Management Response

1072. We concur to the observation of the auditor; they have been supported.

Committee Observation

1073. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.5 Irregular expenditure on contracted services

1074. The financial statement reflects contracted services total payments of Kshs.1,922,900. However, there was no budget provision in support of this expenditure. Additional information provided in relation to adjustments for purpose of supplementary budget did not indicate that expenditure formed part of approved supplementary budget.

Management Response

1075. Management acknowledges the auditor observation and the recommendation regarding budget and

expenditure

Committee Observation

1076. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.6 Budget Control and Performance

1077. There was final revenue budget and actual on comparable basis of Kshs.100,157,247 and Kshs.102,585,684.48 respectively resulting to over-realization of Kshs.2,428,437.48. The Institute spent Kshs.73,573,426.06 against actual receipts of Kshs.102,585,684.48 resulting to under-utilization of Kshs.29,012,258.42.

Management Response

1078. Management concurs with the auditor's opinion. The over-realization was due to increased enrolment and better than the expected.

Committee Observation

1079. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

11.6.7 Unresolved Prior year matters

1080. Several audit issues were raised previously which have remained unresolved as at 30 June, 2024.

Management Response

1081. The Management gave no response.

Committee Observation

1082. The Committee observed that the matter had been resolved as the issues raised were addressed in subsequent years.

11.6.8 Failure to Provide Gratuity to the Board of Governors Staff

1083. BoG staff on contractual terms did not have a provision for gratuity in their contracts at the rate approved by the Board of Governors.

Management Response

1084. We concur to the observation; the issue was presented to the BOG for consideration.

Committee Observation

1085. The Committee observed that the institution does not have a policy in place to help in execution of payments which is a fundamental gap in the management of the institution

Committee Recommendation

1086. The Committee recommends that the management makes deliberate efforts to devise a policy in regards to payment of gratuity to board members.

11.6.9 Officers Acting Beyond Allowable Period

1087. Key positions were held by fifteen (15) officers on an acting capacity. The officers had acted beyond the stipulated period of six (6) months

Management Response

1088. We concur to observation; confirmation is done by the PSC and we had done a request letter on the same to state department TVET DHRM.

Committee Observation

1089. The Committee observed that the officers have indeed been in acting positions for more than six (6) months which is contrary to Section 34(3) of the Public Service Commission Act, Cap. 185.

Committee Recommendation

1090. The Committee recommends that the Ministry of education upholds their mandate to ensure substantial positions within learning institutions are filled with competent and effective officers.

12.0KIIRUA TECHNICAL TRAINING INSTITUTE

1091. Mr. David Gituma, Principal, accompanied by;

(i) Ms. Agnes Katulu- Procurement Officer

(ii) Ms. Florence Mwimbi- Finance Officer

(iii) Ms. Joan Salome Mumbi- Procurement Officer

(iv) Mr. Joshua Kisembe- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Kiirua Technical Training Institute, on 1st July 2025.

12.1 Audited statements for Financial Year 2021/2022

12.1.1 Inaccuracies in the Statement of Cash Flows

1092. The statement of cash flow reflects a closing cash and cash equivalents balance as at 30 June, 2021 of Kshs.99,435,649 which differs with the audited financial statement balance of Kshs.97,216,190 resulting to unexplained variance of Kshs.2,219,459.

Management Response

1093. The reported difference of Kshs 2,219,459 was as result understated receivable for the financial year 2019 – 2020

Committee Observation

1094. The Committee observed that the management explained the variance of Kshs.2,219,459 by correctly distinguishing between the revenue recognised under the IPSAS Accrual basis (expected fee income) and the actual cash collected.

Committee Recommendation

1095. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS). 406.

12.1.2 Inaccuracies in the statement of Changes in Net Assets

1096. The statement of changes in net assets reflects unexplained reinstated adjustments balances brought forward from the financial year 2020/2021 of Kshs.48,752,452 and a negative balance of Kshs.21,439,928 on retained earnings and further a negative adjustment of Kshs.95,388,851 in respect of capital fund. Depreciation charged.

Management Response

1097. Reinstated adjustments balances brought forward from the financial year 2020/2021 of Kshs. 48,752,452 was as a result of overstated comprehensive income B/F for year 2018- 2019 This has been amended in FY.

Committee Observation

1098. The Committee observed that the matter had been resolved as the Management confirmed the correct comparative balance (Kshs. 48,752,452), thereby reconciling the Statement of Financial Position to the previously Audited Financial Statement.

12.1.3 Inaccuracy in cash and Cash Equivalents

1099. The statement of financial position reflects cash and cash equivalents balance of Kshs.65,322,021 as at 30 June, 2022. Review of the bank reconciliation statements indicated direct credits of Kshs.158,400 which had not been receipted there by understating the cashbook balance.

Management Response

1100. The Kshs.158,400 are the total direct deposits in the institute account which by 30th June 2022 were not presented to the account's office for receipting.

Committee Observation

1101. The Committee observed that the matter had been resolved as the Management confirmed reconciliation of Kshs.158,400 to the Financial Statement.

12.1.4 Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

1102. The statement of comparison of budget and actual amounts reflects total actual receipts of Kshs.45,066,216 and Kshs.6,396,925 in respect of fees from students and hire of facility which vary with amounts reflected in the statement of financial performance of Kshs.65,280,872 and Kshs.10,607,720 for fees from students and hire of facility, respectively, resulting to unexplained variance of Kshs.20,214656 and Kshs. 4,210,795 respectively.

Management Response

1103. The actual receipt of Kshs.65,280,872.63 in the statement of financial performance ie (note 7 of the financial statements) is on accrual basis of accounting whereas the reported amount of Kshs.45,066,216 is on cash basis. Reconciliation has been done

Committee Observation

1104. The Committee observed that the management explained the variance of by correctly distinguishing between the revenue recognised under the IPSAS Accrual basis (expected fee income) and the actual cash collected.

Committee Recommendation

1105. The Committee recommends that the Accounting Officers prepare financial statements by ensuring all material variances between the Statement of Financial Performance and the Statement of Cash Flows are fully reconciled and explained in the accompanying notes as per the International Public Sector Accounting Standards (IPSAS). 406.

12.1.5 Budgetary Control and Performance

1106. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs.76,727,989 and Kshs.73,499,742 respectively, resulting to a shortfall of Kshs.3,228,247 or 4% of the budget.

Management Response

1107. The Management stated that the Institution had increment in students.

Committee Observation

1108. The Committee observed that the significant underfunding and consequent under-expenditure constrained the planned activities and impacted negatively on service delivery. The Committee notes management's commitment to improving budgetary control mechanisms and estimates in

subsequent years.

Committee Recommendation

1109. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets. Further, the Institution is encouraged to develop and engage in alternative income generating activities to increase their cash flow so as not to depend exclusively on government funding.

12.1.6 Unresolved Prior Year Matters

1110. The Management has not resolved and disclosed the status of all the prior year matter.

Management Response

1111. Inaccuracies in the financial statements-All the inaccuracies for prior years have been addressed in the financial statement for the financial year 2021/2022.

Committee Observation

1112. The Committee observed that the matter had been resolved as the issues raised were addressed in subsequent years.

12.1.7 Irregular Payment of Board Allowances

1113. The statement of financial performance and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.1,740,218 in respect to remuneration of directors. However, the Management did not provide an approval by the Cabinet Secretary for the allowances paid.

Management Response

1114. The management is currently using an Approved circular by cabinet secretary of education.

Committee Observation

1115. The Committee observed that the board members were illegally paid without an approval form the Cabinet Secretary.

Committee Recommendation

1116. The Committee recommends that the board members be surcharged of the monies therein mentioned of Kshs.1,740,218.

12.1.8 Delay in project completion

1117. Review of project implementation report indicates that two (2) projects were started between 14th February, 2012 and 6 February 2017 and which had project durations ranging between twenty-five (25) weeks and fifty-two (52) weeks. Physical verification of the projects done in the month of March 2023, revealed that the projects were not complete and their contract period had lapsed and

no evidence of extension of the contract period was provided for audit.

Management Response

1118. The Management stated that this has been implemented in the subsequent years.

Committee Observation

1119. The Committee observed that the project was implemented and managed following all procedures and is to be complete upon one (1) month upon adoption of the report by the House.

12.1.9 Non-Compliance with Law on Ethnic Composition

1120. During the year under review, the Institute had forty-one (41) members of staff out of which thirty-eight (38) or 93% belonged to the dominant ethnic community.

Management Response

1121. The management commits to comply with the law on ethnic composition in their future recruitments.

Committee Observation

1122. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1123. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of the adoption of this report.

12.1.10 Lack of Internal Audit Department

1124. The Institute has not established an internal audit function.

Management Response

1125. The management established an internal audit function in the financial year 2023/2024.

Committee Observation

1126. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

12.2 Audited statements for Financial Year 2022/2023

12.2.1 Long Outstanding Student Debtors

1127. Kshs. 63,078,171 in respect to student debtors, which had been outstanding. The Management did not provide debtors aging analysis and approved debt management policy. There was no provision for bad and doubtful debts in the financial statements.

Management Response

1128. From 63,078,171, an amount Kshs.30,538,900.

Committee Observation

1129. The Committee observed that a policy is in place to cater for debt management within the institution and have currently recovered Kshs. 30,000,000 which is good progress.

12.2.2 Budgetary Control and Performance

1130. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.85,890,210 and Kshs.96,483,075 respectively resulting to an over-funding of Kshs.10,592,865 or 12% of the budget.

Management Response

1131. The Net budget variance for the financial year that ended on 30th June 2023 was 6% for which is within the permissible limit of + or – 10% of the budget.

Committee Observation

1132. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.2.3 Non-Compliance with the Public Sector Accounting Standards Board Financial Reporting Template

1133. A review of the financial statements submitted for audit revealed that the financial statements and notes to the financial statements reflect amounts and balances rounded to the nearest cents.

Management Response

1134. In the subsequent financial year, the management has complied with the Public Sector Accounting Standards Board Financial Reporting Template by rounding off the values to the nearest Shilling.

Committee Observation

1135. The Committee observed that the matter has been rectified in subsequent audits.

Committee recommendation

1136. The Committee recommends that the current principle addresses the matter and hence forth

complies with International Public Sector Accounting Standards (IPSAS) 7 on Accounting Policies, Changes in Accounting Estimates and Errors.

12.2.4 Non-Compliance with Law on Unclaimed Financial Assets

1137. The statement of financial position reflects refundable deposits from customers' balance of Kshs.13,258, 876 which includes refundable deposits to students' caution money balance of Kshs.117,333 as disclosed in Note 23 to the financial statements.

1138. No details were provided to confirm whether the students who paid the amount were still with the institute or had completed their studies.

Management Response

1139. The caution money could not be refunded to the beneficiaries because they had done damages in the lecture halls, hostel, and dining hall for sockets, bulbs and windowpanes and the money was to be used to do such repairs.

1140. In the current financial year 2024/2025 the board of governors has approved use of caution money for repair for damages the student caused during the period they were in school.

Committee Observation

1141. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

12.2.5 Lack of Internal Auditor

1142. The Institute did not have an internal auditor during the year under review.

Management Response

1143. In the current financial year, the institute has recruited an internal auditor.

Committee Observation

1144. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.2.6 Ineffective Audit Committee

1145. A review of the audit committee reports and minutes revealed that the Committee only met once instead of four times during the year under review.

Management Response

1146. The mandate of the board had expired before the end of the financial year under review.

1147. On reappointment, the Committee held their meeting on 29th September 2023.

Committee Observation

1148. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.3 Audited statements for Financial Year 2023/2024

12.3.1 Outstanding Receivable from Exchange Transactions

1149. Kshs.137,620,918 in respect to student debtors which had been outstanding.

1150. The Figure has increased by Kshs.72,489,441 or 111% from the previous year.

1151. The Institute did not provide debtors aging analysis

Management Response

1152. The Management state that there is the problem of huge debtors were as a result of Sept 2023, Jan 2024 and May 2024 intakes which are terms for the Financial Year which totals to Kshs.79,588,624.12 of total students' debtors.

Committee Observation

1153. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.3.2 Inaccurate Trade and Other Payables

1154. The statement of financial position reflects accounts payables balance of Kshs.32,832,220. However, analysis of movement in accounts payables balance made up of opening balance of Kshs.9,092,970, total amount for the year of Kshs.112,931,299 and total actual payments for the year of Kshs.107,176,705 results in a balance of Kshs.14,847,564. This leads to an unreconciled and unexplained variance of Kshs.17,984,656.

Management Response

1155. List of creditors and students' prepayments provided.

Committee Observation

1156. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

12.3.3 Budgetary Control and Performance

1157. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.164,955,356 and Kshs.216,177,640 respectively resulting to over collection of Kshs.51,222,284 or 24% of the final receipt budget.

1158. The Management expendedKshs.115,865,588 against actual receipts of Kshs.216,177,640 resulting to an under-expenditure of Kshs.100,312,052 or 46% of the actual receipts

Management Response

1159. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.164,955,356 and Kshs.216,177,640, respectively resulting to over collection of Kshs.51,222,284 or 24% of the final receipt budget.

1160. The Management expendedKshs.115,865,588 against actual receipts of Kshs.216,177,640 resulting to an under-expenditure of Kshs.100,312,052 or 46% of the actual receipts.

Committee Observation

1161. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.3.4 Non-Compliance with the Law on Staff Ethnic Composition

1162. Analysis of personnel records, including staff bio-data, revealed that the Institute had ninety

1163. (90) staff members. However, forty-eight (48) or 53% of them were from the dominant community in Kenya

Management Response

1164. The management commits to comply with the law in future recruitments by recruiting less from the dominant community.

Committee Observation

1165. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.3.5 Ineffective Audit Committee

1166. Review of the audit Committee reports and minutes revealed that the Committee only met twice instead of four times during the year under review.

Management Response

1167. The Institute recruited its own Internal Auditor thus the delay of reports to the Audit committee.

1168. Currently, the reports are prepared on time, and presentations are done per quarter, in full compliance with legal requirements.

Committee Observation

1169. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

12.3.6 Failure to transfer retention money to the retention bank account

1170. Note 23 to the financial statements reflects refundable deposits from customers balance of

Kshs.6,202,188. Included in this balance is refundable deposit of Kshs.1,454,195 for M/s Valyrick Enterprises Ltd which was not transferred to Retention Bank Account.

Management Response

1171. All retention money for Valyrick has been fully paid.

Committee Observation

1172. The Committee observed that the bank was opened in 2022 where for all certifications raised, monies have been transferred which is a continuous process.

13.0KARUMO TECHNICAL TRAINING INSTITUTE

1173. Ms. Florah Kanyua, Chief Principal, accompanied by;

i. Mr. David Gichunge- Procurement Officer

ii. Ms. Faith Kathure- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Karumo Technical Training Institute on 26th May 2025.

13.1 Audited Statements for the Financial Year 2018/19

13.1.1 Unbalanced Statement of Financial Position

1174. The statement of financial position as at 30th June, 2019 reflects Kshs.51,921,205 in respect to total assets. However, the same statement reflects Kshs.27,706,083 in respect to total liabilities and a nil balance in respect to reserves, resulting to an unexplained variance of Kshs.24,215,122, in respect to the statement of financial position whereby the total assets should balance with total liabilities and reserves.

1175. Further, the statement of financial position as of 30th June, 2019 does not include balances of the capital fund and a deficit of the year of Kshs.24, 472,679 and Kshs (1,419,162) respectively, which are reflected in the statement of changes in net assets for the year ended 30th June, 2019.

1176. In the circumstances, the accuracy, completeness, and validity of the statement of financial position as of 30th June, 2019 could not be confirmed.

Management Response

1177. This variance was as a result of change from cash accounting to accrual accounting as some of assets had not been valued during the year. However, the same assets were valued in the financial year 2021-2022 and incorporated into the financial assets.

Committee Observation

1178. The Committee observes that the initial statement of financial position was inaccurate due to fundamental issues arising from the transition from cash to accrual accounting (IPSAS) and unvalued assets. However, the Committee notes that the matter was subsequently resolved as management valued the assets and incorporated the correct balances in the financial statements in financial year 2021-2022.

Committee Recommendation

1179. The Committee recommends that the Accounting Officer henceforth ensures strict compliance with International Public Sector Accounting Standards (IPSAS) when preparing financial statements. Specifically, the Accounting Officer must ensure that all elements of the Statement of Financial Position, including assets, liabilities, and reserves, are accurately reflected and reconciled with other primary statements, thereby guaranteeing that the total assets balance with total liabilities and reserves.

13.1.2 Statement of Changes in Net Assets

1180. The statement of changes in net assets for the year ended 30th June, 2019 reflects total net assets of Kshs.24,472,679 comprising of opening capital/development grants of Kshs.20,908,179 and capital/development grants received during the year of Kshs.3,564,500. However, records maintained by both the institute and the Ministry of Education which were availed for audit revealed that over the three financial years, the Institute had received a total of Kshs.16,212,939 in capital grants. This resulted in an unreconciled variance of Kshs.8,259,740.

1181. Further, the total net assets balance of Kshs.24,472,679 does not take into account a net deficit for the year of Kshs.1,419,162 and therefore the total net assets have been overstated by the same amount.

1182. In addition, included in the total net assets of Kshs.24,472,679 is a capital development grant of Kshs.20,908,179 received during the financial year 2017/2018. However, the Institute's audited financial statements for the year 2017/2018 were not availed for audit review to confirm the balances.

1183. In the circumstances, the accuracy, validity and completeness of the statement of changes in net assets for the year ended 30th June, 2019 could not be confirmed.

Management Response

1184. All identified variances have been reconciled with the Ministry and corrected in subsequent year 2019-2020.

1185. The error of omission has been reconciled through journal entry and incorporated in the financial statements for 2019-2020.

1186. This was the first year of Audit by the Office of Auditor General and the approved template from PSASB was accrual. In the financial year 2017-2018, the institute prepared the financial statements under cash basis. The balance brought down was prepared through the statement of changes to reflect the accurate amount received.

Committee Observation

1187. The Committee observed that fundamental inaccuracies existed in the Statement of Changes in Net Assets, including unreconciled capital grants and the omission of the net deficit. These issues stemmed partly from the initial transition from cash basis accounting (2017/2018) to the IPSAS accrual basis (2018/2019). The Committee notes that Management subsequently reconciled these variances with the Ministry and incorporated the necessary corrections, including the error of omission via journal entry, in the financial statements for the subsequent year 2019-2020.

Committee Recommendation

1188. The Committee recommends that the Accounting Officer henceforth ensures strict adherence to International Public Sector Accounting Standards (IPSAS), particularly compliance with IPSAS 3 on accounting policies, changes in accounting estimates and errors.

13.1.3 Statement of Cash Flows

1189. The statement of cash flows for the year ended 30th June, 2019 reflects Kshs.29,040,637 in respect to cash and cash equivalents as at 30th June, 2019 includes a decrease in cash and cash equivalents balance of Kshs.3,384,824 being the net cash flows deficit for the year under review. However, a recast of cash flows from operating, investing and financing activities shows a decrease in cash and cash equivalents balance of Kshs.1,419,162 resulting to an unreconciled and unexplained variance of Kshs.1,965,662. The cash and cash equivalents as at 30 June, 2019 is therefore understated by the Kshs.1,965,662.

1190. Further, the cash and cash equivalents balance of Kshs.29,040,637 as of 30th June, 2019 includes a cash and cash equivalents balance as of 1st July, 2018 of Kshs.32,425,461. However, the source and the accuracy of the Kshs.32,425,461 could not be ascertained as no audited 2017/2018 financial statements were made available in support of the same balance.

1191. In the circumstances, the accuracy, validity and completeness of the statement of cash flows for the year ended 30th June, 2019 could not be confirmed.

Management Response

1192. During the financial year 2018-2019, the Management used the indirect method of accounting in preparing the statement of cashflows. However, after consultation with the National Treasury, the direct method was adopted in subsequent years.

1193. In response, the management state that all identified discrepancies have been corrected in subsequent years. The management attributes these discrepancies to challenges faced during the base year of 2018/2019 and emphasize improvements made to internal controls since then.

1194. The cash and cash equivalents balance as of 1st July, 2018 of Kshs.32,425,461 was the corrected as per cashbook and bank reconciliation. The bank certificate and bank reconciliations have been provided to auditors.

Committee Observation

1195. The Committee observed that the management addressed the variance and the previously unsupported opening balance by reconciling the discrepancies and providing the necessary bank reconciliation statements, bank certificates, and supporting documents to the Auditor. The Committee notes that the initial reporting errors were attributed to challenges faced during the base year of 2018/2019, including the adoption of the direct cash flow method following consultation with the National Treasury.

Committee Recommendation

1196. The Committee recommends that the Accounting Officer henceforth ensures strict adherence to International Public Sector Accounting Standards (IPSAS) when preparing the statement of cash flows, and ensures robust internal controls are maintained to prevent material variances between financial statements. Furthermore, the Accounting Officer must ensure that all comparative and opening balances are fully supported by comprehensive documentation, including bank certificates and reconciled cashbooks, and retained for audit purposes as required by Section 68(2)(b) of the PFM Act, Cap. 412A and Regulation 99(3) of the PFM (National Government) Regulations, 2015.

13.1.4 Statement of Comparison of Budget and Actual Amounts

1197. The statement of comparison of budget and actual amounts for the year ended 30th June, 2019 reflects a final budget of Kshs.72,046,250 for seven (7) components while the approved 2018/2019 budget reflects a balance of Kshs.90,056,783 on the same components resulting into an unreconciled and unexplained variance of Kshs.18,010,533 as follows;

Items	Amount as per Statements of Comparison of Budget and Actual Amounts (Kshs.)	Amount as per the Approved Budget (Kshs.)	Variance (Kshs.)
Revenue			
Ministry of Education Grants	0	3,500,000	3,500,000
Rendering of Services - Fees from Students	30,152,500	32,585,833	2,433,333
G.O.K.	0	15,000,000	15,000,000
CDF	0	3,000,000	3,000,000
Total	**30,152,500**	**54,085,833**	**23,933,333**
Expenses			
Compensation of Employees	12,852,000	13,812,000	960,000
Use of Goods and Services	19,206,750	16,097,750	(3,109,000)
General Expenses	9,835,000	6,061,200	(3,773,800)
Total	**41,893,750**	**35,970,950**	**(5,922,800)**

1198. In view of the foregoing, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30th June, 2019 could not ascertained.

Management Response

1199. Management acknowledges the discrepancies highlighted in the Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2019. These discrepancies include significant variances between the actual amounts reported and the approved budget figures.

1200. The management attribute these discrepancies to challenges faced during the base year of 2018/2019. The management have since made significant improvements to our internal controls and similar discrepancies have not been reported in the subsequent years.

Committee Observation

1201. The Committee observes that significant discrepancies existed in the budget figures, demonstrating

weaknesses in budget preparation and presentation. The Committee notes management's acknowledgment of these errors and their commitment to improving internal controls and avoiding recurrence in subsequent years.

Committee Recommendation

1202. The Committee recommends that the Accounting Officer henceforth ensures proper systems are put in place to eliminate mathematical and reconciliation errors in financial statements. Furthermore, management must ensure accuracy between approved budgets and the reported Statement of Comparison of Budget and Actual Amounts to guarantee compliance with the prescribed PSASB template.

13.1.5 Variances between the Transfer (Development Grants) from National Government and the Institute's Balances

1203. The statement of changes in net assets for the year under review reflects Kshs.3,564,500 in respect to development grants from the Ministry of Education. However, records from the Ministry of Education reflects Kshs.7,129,000 on the same items resulting to an unexplained and unreconciled variance of Kshs.3,564,500.

1204. In the circumstances, the accuracy and completeness of the Kshs.3,564,500 development grants transfer from the Ministry of Education for the year ended 30th June, 2019 could not be ascertained.

Management Response

1205. The amount was received in the financial year 2019-2020 and was captured in the year 2019- 2020.

Committee Observation

1206. The Committee observes that the variance in development grants was due to the timing difference between the Ministry records and the Institute's financial statements, but notes that the amount was subsequently captured in the financial statements for the year 2019-2020, thereby resolving the query.

Committee Recommendation

1207. The Committee recommends that the Accounting Officer henceforth ensures strict internal controls are implemented to perform comprehensive reconciliation of grants and transfers received from the National Government with Ministry records. Furthermore, management must ensure prompt provision of supporting documentation on all transfers and grants to the Auditor-General on time, in compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National

Government) Regulations, 2015.

13.1.6 Property, Plant and Equipment

1208. The statement of financial position as of 30th June, 2019 reflects a nil balance in respect to Property, Plant and Equipment (PPE). However, review of the expendables stores register revealed that the Institution has assets including furniture, 500 Kva Generator, 100-seater tent, 49 inch and 24-inch Samsung digital television sets all of unknown value which were not included in the statement of financial position as of 30th June, 2019. In addition, physical verification revealed that the institution has buildings including an administration block, lecture halls, a kitchen and ablution block, a land of twenty-five (25) acres, training equipment and computers of unknown value which were also not reported in the statement of financial position under property, plant and equipment.

1209. The financial position as of 30th June, 2019 therefore is misstated in the absence of property, plant and equipment which is contrary to International Public Sector Accounting Standard number 17 (IPSAS 17) paragraph 96 which requires that an entity that adopts accrual accounting for the first time in accordance with IPSAS shall initially recognize property, plant and equipment at cost or fair value. Further, no valuation report was availed for audit review.

1210. Consequently, these financial statements are understated by the undetermined values of the excluded property, plant and equipment as of 30th June, 2019.

Management Response

1211. The assets have since been valued, reported in FS and an updated register is now in place.

Committee Observation

1212. The Committee observed that the financial statements were fundamentally misstated and contrary to International Public Sector Accounting Standard 17 (IPSAS 17) due to the omission of significant assets, including land (twenty-five acres) and buildings, which resulted in the financial statements being understated by undetermined values.

Committee Recommendation

1213. The Committee recommends that the Accounting Officer henceforth ensures strict compliance with International Public Sector Accounting Standard 17 (IPSAS 17) by ensuring that all assets, including those acquired or donated, are promptly valued and accurately recorded in the financial statements and the fixed asset register regulations, 2015.

13.1.7 Unsupported Current Liabilities

1214. The statement of financial position as at 30 June, 2019 reflects current liabilities totaling

Kshs.27,706,083 which includes Kshs.2,905,704 and Kshs.327,700 both totalling to Kshs.3,233,404 in respect to trade and other payables from exchange transactions and refundable deposits to customers respectively. However, the respective supporting accounting documents including ledgers and schedules were not provided for audit review.

1215. Consequently, the accuracy and validity of the current liability balance of Kshs.3,233,404 as at 30 June, 2019 could not be confirmed.

Management Response

1216. The Management provided the schedules are availed to auditors.

Committee Observation

1217. The Committee observed that the matter had been resolved as the schedules supporting the current liabilities were subsequently availed to the auditors, satisfying the audit requirement for supporting documentation.

13.1.8 Deferred Income

1218. The statement of financial position reflects a balance of Kshs.27,706,083 in respect to current liabilities which includes Kshs.24,472,679 in respect to deferred income. However, records availed for audit review including grants ledgers revealed that as of 30th June, 2019, the institute had received conditional grants in the last three financial years totaling Kshs.31,600,564 for putting up a perimeter wall resulting to an unexplained and unreconciled variance of Kshs.7,127,886. In addition, documents availed for audit revealed that the perimeter wall has not been constructed and no explanation was given for the delay in the implementation of the project.

1219. Consequently, the accuracy and value for money for the Kshs.24,472,679 deferred incomes as of 30th June, 2019 could not be confirmed.

Management Response

1220. The Management acknowledges that the funds received during the last three financial years totaling to Kshs. 31,600,564. However, Kshs. 24,472,679 was conditional grant, and Kshs. 7,127,886 was operational grants. This was meant for the construction of a perimeter wall. These funds were redirected to construct a tuition block, which was deemed a priority since the students increased from 600 to around 2,000 which necessitated the urgency of the tuition block. The project is now complete.

Committee Observation

1221. The Committee observes that the Management correctly identified the variance of Kshs.7,127,886

as conditional grants (Kshs. 24,472,679) versus operational grants (Kshs. 7,127,886). However, the Committee notes with concern the redirection of the conditional grant funds (originally intended for a perimeter wall) towards the construction of a tuition block without evidence of formal approval, although the management argued this was necessitated by the critical increase in student numbers (from 600 to 2,000). The initial absence of the perimeter wall construction and the subsequent redirection of funds raise concerns regarding adherence to conditional grant agreements and proper authorization for project variations.

Committee Recommendation

1222. The Committee recommends that the Accounting Officer henceforth seeks and obtains formal, written approval from the appropriate authority (e.g., the line Ministry and/or the National Treasury) before redirecting conditional grant funds to unbudgeted priority projects, ensuring that such decisions are properly documented and justified to maintain transparency and compliance with funding terms. Further, the Accounting Officer should submit the project completion documents for the tuition block to the Auditor-General for verification of the appropriate capitalization of the deferred income utilized.

13.1.9 Unreported Revenue

1223. Note 10 of the financial statements for the year under review reflects a balance of Kshs.31,700,782 in respect to rendering of services (fees from students). However, records availed for audit review including fee ledgers revealed that the National Youth Service (NYS) student's fees and County bursary of Kshs.8,163,330 and Kshs.901,800 respectively both totaling to Kshs.9,065,130 are not included in the reported balance of Kshs.31,700,782.

1224. In the circumstances, the accuracy and completeness of the Kshs.31,700,782 revenues for the year ended 30th June, 2019 could be ascertained.

Management Response

1225. The NYS student fees and County bursary payments, totaling Kshs. 9,065,130, were part of the rendering of services revenue totaling to Kshs.31,700,782.

Committee Observation

1226. The Committee observed that the matter had been resolved as the Management clarified that the National Youth Service (NYS) student fees and County bursary payments, totaling Kshs. 9,065,130, were, in fact, included in the reported rendering of services revenue of Kshs. 31,700,782.

13.1.10 Sale of Goods

1227. Note 11 of the financial statements reflects Kshs.527,560 in respect to sale of goods for the year ended 30th June, 2019. However, respective supporting documents including stores records, banking slips, board minutes authorizing the prices for the produce harvested were not provided for audit review.

1228. In the circumstances, the accuracy and validity of the Kshs.527,560 balance for the year ended 30th June, 2019 could not be confirmed.

Management Response

1229. The management has attached the ledger for the sale of farm produce.

Committee Observation

1230. The Committee observes that the management addressed the issue by subsequently providing the ledger for the sale of farm produce, thereby resolving the confirmation concerning the accuracy and validity of the Kshs. 527,560 balance. However, the initial failure to provide comprehensive supporting documentation, including board minutes authorizing prices, stores records, and banking slips, reflects poor internal control over revenue collection.

13.1.11 Use of Goods and Services: Purchase of Textbooks

1231. Note 15 of the financial statements for the year under review reflects Kshs.17,153,239 in respect to use of goods and services which includes Kshs.5,503,874 in respect to school equipment and stores which further includes Kshs.658,533 paid to a firm for the purchase and delivery of textbooks. However, the respective supporting documents including the requisition, quotations, evaluation minutes, professional opinion, notification of award of contract and inspection report were not provided for audit review.

1232. In the circumstances, the propriety and value for money for the Kshs.658,533 expenditure for the year under review could not be confirmed.

Management Response

1233. The supporting documents concerning the expenditure on the purchase and delivery of textbooks for the year under review have been provided and the books were verified by auditors during the year 2019-2020 and the also in the library records and asset register.

Committee Observation

1234. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

13.1.12 Employees Costs

1235. Note 16 of the financial statements for the year under review reflects Kshs.9,919,353 in respect to employees cost which includes Kshs.3,567,240 in respects to travel, motor car, accommodation, subsistence and other allowances. However, the relevant supporting documents in relation to the expenditure were not availed for audit review.

1236. In the circumstances, the accuracy, authenticity and propriety of the Kshs.3,567,240 expenditure for the year ended 30th June, 2019 could not be confirmed.

Management Response

1237. The supporting documents have been provided.

Committee Observation

1238. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the managements' response.

13.1.13 Security Costs

1239. Note 22 of the financial statements for the year under review reflects Kshs.8,796,640 in respect to general expenses which further includes Kshs.502,919 in respect to security costs paid to a firm. However, the procurement documents, including quotations, evaluation and award minutes and contract agreement were not provided for audit review.

1240. Consequently, the propriety and value for money for the Kshs.502,919 expenditure for the year ended 30th June, 2019 could not be confirmed.

Management Response

1241. The documents have been provided as attached for review.

Committee Observation

1242. The Committee observed that the matter had been resolved as the supporting documents were provided to the Auditor-General, who was satisfied with the managements' response.

13.1.14 Advertising Services

1243. Note 22 to the financial statements for the year under review reflects Kshs.8,796,640 in respect to general expenses which includes Kshs.453,800 in respect to advertisement services which further includes Kshs.339,800 paid to a supplier for the supply of brochures for advertising the courses offered by the institution. However, supporting document including requisition forms, quotations, evaluation minutes, notification to the winning bidder and the regret letters to the unsuccessful bidders were not availed for audit review.

1244. In the circumstances, the propriety and value for money for the Kshs.339,800 expenditure for the year under review could not be confirmed.

Management Response

1245. The documents have been provided as attached for review.

Committee Observation

1246. The Committee observed that the matter had been resolved as the supporting documents were provided to the Auditor-General, who was satisfied with the Management Response, having verified the corrections.

13.1.15 Non-Provision of Audit Fees

1247. The statement of financial performance for the year under review reflects Kshs.36,647,504 in respect to total expenses. However, the expenses for the year do not include provision for audit fees totaling to Kshs.617,902 which is payable to the Office of the Auditor-General in accordance to Section 41(1)(c) of the Public Audit Act, Cap. 412B which states that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor- General.

1248. In the circumstances, the institute is in breach of the law and the expenditure for the year ending 30th June, 2019 is under stated to the extent of the audit fee not provided for.

Management Response

1249. The Management acknowledges the failure to provide for audit fees for the year under review, as highlighted in the audit finding. This oversight occurred during the transition year from the school's audit, during which audit fees were not incurred. However, corrective measures have been taken, and audit fees have been accrued in subsequent years to ensure compliance with regulatory requirements.

Committee Observation

1250. The Committee observed that the matter had been resolved as the supporting documents were provided to the Auditor-General, who was satisfied with the managements' response, having verified the corrections. Similar instances of initial non-provision/omission followed by subsequent rectification satisfied the Auditor-General.

13.1.16 Budgetary Control and analysis; Revenue Analysis

1251. The statement of comparison of budget and actual amounts for the year ended 30th June, 2019 reflects budgeted receipts of Kshs.44,774,500 and actual receipt of Kshs.35,228,342 resulting to a variance of Kshs.9,546,158. However, a recasting of the variance resulted in a sum of

Kshs.9,186,158 as follows:

Items	Approved Budget (Kshs.)	Actual Receipts (Kshs.)	Variation (Kshs.)	Percentage (%)
Transfer from Other Entities-Govt-Grants	14,000,000	10,590,000	3,410,000	24
Rendering of Services - Fees from Students	30,152,500	24,110,782	6,041,718	20
Sale of Goods	622,000	527,560	94,440	15
Total	**44,774,500**	**35,228,342**	**9,186,158**	

1252. Overall, the institute failed to actualize its budget by Kshs.9,186,158 or 21 % an indication that some of the programs and activities that had been planned were not implemented. Therefore, there is a need for the management to review its budget making process with a view to formulating a realistic budget that would be actualized for the service delivery to the intended beneficiaries.

Management Response

1253. The Management acknowledges the failure to achieve the budgeted revenue for the year under review, as outlined in the audit finding. This discrepancy indicated a need for a review of the budgeting process to ensure the formulation of realistic budgets that can be fully realized for service delivery to beneficiaries. In the subsequent years, the management has taken measures to prepare more realistic budgets.

Committee Observation

1254. The Committee observes that the Institute failed to actualize 21% of its budgeted revenue, resulting in a shortfall of Kshs.9,186,158. This significant underperformance strongly indicates that the budgeting process was unrealistic, leading to the non-implementation of planned services and activities for beneficiaries. The Committee notes of the Management's acknowledgment of this systemic flaw and their commitment to formulating more realistic budgets in subsequent years.

Committee Recommendation

1255. The Committee recommends that the Accounting Officer must strengthen its budget formulation process to ensure that projections are realistic and achievable, thereby preventing the recurrence of

large variances and ensuring planned services are delivered to beneficiaries.

1256. The Committee further recommends that the Accounting Officer reviews budgets quarterly to reflect realities, through supplementary budgets. Additionally, the institution should intensify efforts to develop other income generating activities to increase their cashflow so as not to depend solely on government funding or student fees, which often results in budgetary shortfalls.

13.1.17 Expenditure Analysis

1257. The statement of comparison of budget and actual amounts for the year under review reflects budgeted expenditure of Kshs.42,724,750 and actual expenditure of Kshs.36,647,504 resulting to under expenditure of Kshs.6,077,246, while recasting of the final budgeted expenses gave a total of Kshs.42,727,750 as follows:

Audit Components	**Final budget (Kshs.)**	**Actual Expenditure (Kshs.)**	**Variation (Kshs.)**	**Percentage (%)**
Compensation of Employees	12,852,000	9,919,353	2,932,647	23
Use of Goods and Services	19,206,750	17,153,239	2,053,511	11
Repairs, Maintenance and Improvement	834,000	778,272	55,728	7
General Expenses	9,835,000	8,796,640	1,038,360	11
Total Expenditure	**42,727,750**	**36,647,504**	**6,080,246**	

1258. The institution underspent its budget by Kshs.6,080,246 or 14% of the total budget allocation. The funds could have been allocated to other deserving areas that would have improved delivery of goods and services to the beneficiaries. There is need therefore for the Management to re-look at its budgeting mechanism with a view to focusing on areas which will improve service delivery to the beneficiaries.

1259. In the circumstances, the intended beneficiaries did not get the expected services equivalent to the sum of Kshs.6, 080,246 under expenditure for the year ended 30th June, 2019.

Management Response

1260. Management acknowledges the under-expenditure of the budget for the year under review, as

highlighted in the audit finding. This was attributed to oversight and the institute's newness. Moving forward, measures have been implemented to ensure full utilization of the budget to improve service delivery to beneficiaries.

Committee Observation

1261. The Committee observes that the Institution underspent its expenditure budget by Kshs.6,080,246 (14%), which is a clear indication that the budget formulation process was unrealistic. This resultant under-expenditure meant that services expected by the intended beneficiaries were not fully delivered. The Committee notes that the Management attributed this to oversight and the institute's newness and has committed to implementing measures to ensure full utilization in the future.

Committee Recommendation

1262. The Committee recommends that the Accounting Officer must strengthen the budgeting mechanism to formulate realistic and achievable budgets, thus ensuring planned services and activities are fully implemented to benefit the students and stakeholders.

1263. Furthermore, the Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets, to prevent the recurrence of material under-expenditure and ensure full delivery of goods and services.

13.1.18 Unbalanced Budget

1264. The statement of comparison of budget and actuals amounts for the year under review reflects Kshs.44,774,500 and Kshs.42,724,750 in respect to approved budget receipts and expenditure respectively resulting to Kshs.2,049,750 budgeted receipts without corresponding budgeted expenditures. This is contrary to Section 33(c) of the Public Finance Management (National Government) regulations, 2015 which states that the budget shall be balanced.

1265. Consequently, the Institute is in breach of the law.

Management Response

1266. In subsequent years, the budget has been balanced.

Committee Observation

1267. The Committee observes that the matter had been resolved as the Management acknowledged the initial oversight (breach of law) and confirmed that the budget has been balanced in subsequent years.

13.1.19 Boarding Equipment and Stores

1268. Note 15 of the financial statements for the year under review reflects Kshs.17,153,239 in respect to use of goods and services which includes Kshs.6,552,062 in respect to boarding equipment and stores, which further includes Kshs.5,131,780 paid to a firm for provision of meals to the students from the National Youth Service (NYS). However, records availed including pre-qualified list of suppliers reveal that the firm was not included in the list of prequalified firms contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, Cap. 412C which stipulates that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

1269. In the circumstance, the institution is in breach of the law.

Management Response

1270. It's true that the service provider for the NYS meals was omitted from the list of pre-qualified suppliers. In the subsequent years the matter has been addressed.

1271. This error has been recognized and rectified, with the service provider now included in the pre-qualified supplier list.

Committee Observation

1272. The Committee observed that the matter had been resolved as the Management acknowledged the breach of procurement law and provided rectification documents demonstrating that the service provider was subsequently included in the pre-qualified supplier list. The Auditor- General was satisfied with the Management Response, having verified the correction.

13.1.20 Presentation of Financial Statements

1273. The financial statements for the year under review contains various anomalies which are not in line with the template issued in June, 2019 by the Public Sector Accounting Standards Board (PSASB) as shown below.

Items/Component/Issue	Observation
The Management discussion and analysis	The report is not included in the financial statements
Board Members	Date of birth for board members not indicated

Inconsistency in the financial statements	Background information reflects that the institute occupies approximately 25 acres while the principal statement indicates that it occupies 24 acres. The Chairman report indicates that the institute opened its doors for training in 2016 while the principal indicates that it opened its doors for training in 2015
The chairman, principal and the Board of Management reports	The three report are not signed
Page XIII	The page is blank

1274. Consequently, the presentation of the financial statements for the year under review do not conform to the prescribed PSASB.

Management Response

1275. Measures have been taken to rectify these issues in subsequent years.

Committee Observation

1276. The Committee observes that the financial statements contained multiple, significant anomalies, inconsistencies, and material omissions, demonstrating non-conformity with the prescribed PSASB reporting template. processes.

1277. The Committee recommends that the Accounting Officer must henceforth prepare financial statements in strict conformity with International Public Sector Accounting Standards (IPSAS) and the prescribed PSASB reporting template to prevent the recurrence of these numerous inaccuracies and omissions.

1278. The Committee further recommends that the Accounting Officer puts proper systems in place to ensure early detection and correction of errors, and ensures that the finance team is adequately trained and competent to handle crucial accounting functions.

13.1.21 Establishment of Internal Audit Unit

1279. During the year under review, the institute did not have an audit department contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which states that every national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

1280. In the circumstances, the institute is in breach of the law.

Management Response

1281. The Internal Audit Department has now been fully established and operational.

Committee Observation

1282. The Committee observed that the matter had been resolved as the Internal Audit Department has been fully established and operational, and Management has provided evidence. This action, confirming the establishment of the necessary function, satisfied the Auditor-General,

1283. resolving the audit query, similar to other resolved cases regarding the establishment of internal audit units.

13.1.22 Non-Submission of the Financial Statements

1284. The Institute's Board of Governors has not submitted its financial statements for audit by the Auditor-General for two (2) financial years (2016/2017 and 2017/2018) contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which require an accounting officer to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Auditor-General for audit. In addition, Section 47(1) of the Public Audit Act, 2015 stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

Management Response

1285. The Management explains that the non-submission of financial statements for the 2015/2016, 2016/2017 and 2017/2018 financial years was due to reporting to the school's audit during that period. Upon receiving a directive from the Office of the Auditor General, the institute began submitting financial statements as required starting from the 2018/2019 financial year.

1286. Compliance has been maintained in subsequent years following the directive.

Committee Observation

1287. The Committee observes that the Management acknowledged the breach of law stemming from the failure to submit financial statements for the specified financial years to the Auditor- General due to the prior regime of reporting to the school's audit. The Committee notes that the matter was resolved as the Institute successfully transitioned and achieved compliance by submitting financial statements as required starting from the 2018/2019 financial year, and has maintained this compliance in subsequent years.

Committee Recommendation

1288. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Section 68(2)(k) of the Public Finance Management Act, Cap. 412A and Section 47(1) of the Public Audit Act, Cap. 412B, which mandate the preparation and submission of annual financial statements to the Auditor-General within three months after the end of the financial year.

1289. The Accounting Officer must also at all times ensure compliance with Section 68(2)(b) of the PFM Act, Cap. 412A and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.23 Late Submission of the Financial Statements

1290. The financial statements for the year under review were submitted to the Auditor-General on 08th October, 2019 approximately eight (8) days after the legal deadline of three (3) months from the end of the financial year contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act 2012, and any other legislation, shall be submitted to the Auditor- General within three months after the end of the fiscal year to which the accounts relate.

1291. In the circumstances, the Institute was in breach of the law.

Management Response

1292. The Management has adhered to timelines in subsequent years.

Committee Observation

1293. The Committee observes that the institute was in breach of the law for submitting its financial statements eight (8) days late, contrary to Section 47(1) of the Public Audit Act, Cap. 412B.

1294. However, the Committee notes of the Management's commitment that they have adhered to timelines in subsequent years, which addresses the recurrence of this specific issue.

Committee Recommendation

1295. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Section 47(1) of the Public Audit Act, Cap. 412 B and Section 68(2)(k) of the Public Finance Management Act, 2012, which mandate the submission of financial statements to the Auditor-General within three months after the end of the fiscal year.

13.2 Audited Statement for the Financial Year 2019/2020

13.2.1 Errors in the Presentation of Financial Statements

1296. The annual report and financial statements prepared and presented for audit were not dated and

signed contrary to the requirements of the Public Sector Accounting Standards Board (PSASB) reporting guidelines issued in June, 2020.

1297. In the circumstances, the financial statements as presented do not comply with International Public Sector Accounting Standard No.1 on presentation of financial statements.

Management Responses

1298. The revised financial statements were submitted before all signatories could sign and the Management has ensured that the same will never recur.

Committee Observation

1299. The Committee observed that the failure to date and sign the annual report and financial statements constitutes a serious breach of the Public Sector Accounting Standards Board (PSASB) reporting guidelines and non-compliance with International Public Sector Accounting Standard No. 1 (IPSAS 1) on the presentation of financial statements. The Committee notes of the Management's acknowledgment that the revised statements were submitted before all signatories could sign, and their commitment that this error will not recur.

1300. This is indicative of systemic failures in the final internal review stage, similar to other cases where financial statements contained multiple anomalies and required correction.

Committee Recommendation

1301. The Committee recommends that the Management henceforth prepares financial statements in strict conformity with the International Public Sector Accounting Standards (IPSAS) and the prescribed PSASB template, ensuring that all required reports, including the annual report and financial statements, are duly dated and signed by all authorized signatories before submission for audit.

1302. The Committee further recommends that the Accounting Officer ensures that proper systems are put in place to ensure early detection and correction of errors and that the finance team is adequately trained on reporting compliance.

13.2.2 Inaccurate Property, Plant and Equipment

1303. The statement of financial position and as disclosed in Note 20 (a) to the financial statements reflects Kshs.16,085,420 in respect to property, plant and equipment, comprising of Kshs.6,647,000 and Kshs.9,438,420 for motor vehicles and tuition block respectively.

1304. Review of documents provided revealed that the assets were reflected at cost without depreciation contrary to International Public Sector Accounting Standards (IPSAS) 17 Paragraph 88(e)(vii).

1305. Further, as reported in the previous year, review of the stores register revealed that the institution

has assets including furniture, 500 Kva generator, 100-seater tent, 49 inch and 24- inch Samsung digital television sets all of unknown value which were not included in the property, plant and equipment schedule. In addition, physical verification revealed that the institute has other buildings including an administration block, lecture halls, kitchen and ablution block, twenty-five (25) acres land, training equipment and computers of unknown value which were also not reflected in the property, plant and equipment schedule. In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Ksh. 16, 085, 420 as of 30th June, 2020 could not be ascertained.

Management Response

1306. To address this matter, the management has undertaken a comprehensive valuation exercise to determine the value of all assets, including those donated. The valuation process has been completed, and now the Management possesses a detailed asset register that accurately reflects the value of all assets held by the institution. This asset register is provided as an attachment to this response. The management is committed to ensuring the accuracy and completeness of our financial reporting moving forward, and it appreciates the opportunity to rectify this oversight identified in the audit report.

Committee Observation

1307. The Committee observes that the matter had been resolved as the Management undertook and completed a comprehensive valuation exercise to determine the fair value of all assets, including donated items and previously omitted assets such as the 25 acres of land and various buildings. The Management subsequently provided a detailed asset register, thereby rectifying the inconsistencies, addressing the omissions, and correcting the non- compliance with IPSAS 17 Paragraph 88(e)(vii) regarding depreciation disclosure. This action satisfied the Auditor-General, similar to other cases where unsupported assets were subsequently rectified through valuation and updated registers.

Committee Recommendation

1308. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with International Public Sector Accounting Standards (IPSAS) 17, ensuring all Property, Plant, and Equipment (PPE) is valued appropriately, correctly disclosed, and subjected to the required depreciation charges.

13.2.3 Inaccurate Opening Balance of Capital Development Grants

1309. The statement of changes in net assets for the year ended 30th June, 2020 reflects a Nil balance in

respect to the opening balance of the capital development grants/fund for the year ended 30th June, 2020. However, the 2018/2019 audited financial statements reflect a closing balance of Kshs.24, 472,679 on the same item resulting to an unexplained variance of the same amount.

1310. In the circumstances, accuracy and completeness of the Nil opening balance of capital development grants in the statement of changes in net assets for the year ended 30th June, 2020 could not be confirmed.

Management Response

1311. Upon review of the discrepancy noted in the audited financial statements, the Management has made appropriate adjustments to reflect the accurate opening balance of capital development grants.

Committee Observation

1312. The Committee observed that the matter had been resolved as the Management acknowledged the discrepancy in the opening balance of Capital Development Grants and subsequently confirmed that appropriate adjustments were made to reflect the accurate balance.

13.2.4 Unsupported Domestic Travel and Subsistence

1313. The statement of financial performance and as disclosed in Note 10(a) to the financial statements, reflects Kshs.29,565,910 in respect to use of goods and services. Included in this figure is Kshs.2,138,350 in respect to domestic travel and subsistence which further includes Kshs.337,400 paid to officers for accommodation and subsistence. However, the supporting documents including invitation letters, work/bus tickets, attendance schedules and back to office reports were not provided for audit review.

1314. In the circumstances, the accuracy and validity of the Kshs.337,400 expenditure for the year ended 30th June, 2020 could not be ascertained.

Management Response

1315. The required documents have since been located and are provided to auditors for review.

Committee Observation

1316. The Committee observed that the matter had been resolved as the required supporting documents were provided to the Auditor-General, who was satisfied with the Management Response, having verified the documentation.

13.2.5 Budgetary Control and Performance

1317. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.109,079,384 and Kshs.106,445,784 respectively resulting to an under-

funding of Kshs.2,633,600 or 2% of the budget.

1318. Similarly, the Institute expended Kshs.56, 061, 697 against the approved budget of Kshs.109, 079,384 resulting to an under-expenditure of Kshs.50, 384, 087 or 46% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1319. The underutilization of the budget during the last two quarters of the year under review was impacted by the unprecedented closure of learning institutions as a result of the COVID-19 pandemic. The sudden and prolonged closure necessitated significant adjustments to our operations and expenditures, leading to a lower-than-anticipated utilization of allocated funds. The management is committed to mitigating the effects of the pandemic on our budgetary performance moving forward.

Committee Observation

1320. The Committee observed that the institute demonstrated a severe under-expenditure of 46% (Kshs. 50,384,087), noting that the resultant failure to utilize allocated funds meant that the planned activities were not implemented, negatively impacting service delivery.

Committee Recommendation

1321. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets, to prevent the recurrence of material under-expenditure and ensure funds are utilized efficiently.

13.2.6 Non-Compliance with Law on Ethnic Composition

1322. Analysis of personnel records including payrolls data revealed that the Institute's Board of Governors had employed thirty-seven (37) staff members during the year ended 30 June, 2020. However, twenty-one (21) or 57% of them were from the dominant community in the region contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

1323. In the circumstances, the Institute was in breach of the law.

Management Response

1324. In the year under review, the institute was in its formative stages, and the majority of our employees

hailed from the predominant local region. This was largely due to limited awareness at the national level regarding the existence and operations of our institution. As a result, recruitment efforts were primarily concentrated within the immediate vicinity.

1325. The management is pleased to report that significant progress has been made since then. Presently, our staff stands at 142 members. Among them, 77 (or 54%) are recruited locally, while 65 (or 46%) have been sourced from other regions. This demonstrates our commitment to fostering diversity and inclusivity within our workforce, as well as our dedication to attracting talent from across the nation.

Committee Observation

1326. The Committee observed that although the Management attributes the historical skewness to the formative stages and reports an increase in staff sourced from other regions (46%), deliberate measures must be put in place to ensure full compliance with the law as stipulated under Article 232(1)(h) and (i)(ii) of the Constitution, which requires fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

1327. The Committee recommends that the Accounting Officer must henceforth ensure strict compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N and abide by the values and principles of public service under Article 232 (1) (h) and (i)(ii) of the Constitution.

13.2.7 Lack of an Internal Audit Department

1328. As reported in the previous year, the Board had not established an Internal Audit Unit as at 30 June, 2020 as required by Section 73(1) (a) of the Public Finance Management Act, Cap. 412A which stipulates that every national government entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

1329. The Management is therefore in breach of the Act.

Management Response

1330. The Management acknowledges the audit finding regarding the lack of an Internal Audit Unit as of June 30, 2020, which is contrary to the requirements outlined in the Public Finance Management Act, 2012 under section 73(1)(a). This oversight is indeed a breach of the Act, and we appreciate its identification by the auditors.

1331. During the years' review, our institution was indeed in its early stages of development, and

establishing an internal audit function was a work in progress. However, to address the need for oversight and compliance, we engaged the services of internal auditors from Meru National Polytechnic.

1332. The management is pleased to announce that significant progress has been made since then. As of January 1st, 2024, our Internal Audit Department has been fully established and operational. The management has appointed an internal auditor to lead this function, thereby aligning with the requirements of the Public Finance Management Act. The management appreciates the auditor's findings, which have prompted us to take proactive measures to strengthen our internal governance structures.

Committee Observation

1333. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

1334. This outcome suggests the expenditure was eventually confirmed as accurate once documentation was made available.

13.2.8 Non-Establishment of Audit Committees

1335. The Board had not established an Audit Committee as of 30th June, 2020 as required by Section 73(5) of Public Finance Management Act, Cap. 412A which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Section 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk, control and governance processes remains with the management of the concerned entity; and follow up on the implementation of the recommendations of internal and external auditors.

1336. The board is in breach of the law and the effectiveness of internal controls could not be confirmed.

Management Response

1337. An audit Committee has been established and is now fully functional. The Committee is composed in accordance with the regulations, and its responsibilities, including supporting the accounting officer in issues of risk, control, and governance, as well as following up on audit recommendations, are being diligently carried out.

Committee Observation

1338. The Committee observed that the matter had been resolved as the management confirmed that the audit committee is established and fully functional.

13.2.9 Untagged Assets

1339. Physical verification revealed that computers and furniture and fittings were not tagged for ease of tracking and identification contrary to Regulations 139(1) (b) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that movement and conditions of assets can be tracked.

1340. Consequently, the Management is therefore in breach of the regulations.

Management Response

1341. All assets within the institution have been tagged, serialized, and recorded in the assets register.

1342. The management is committed to upholding the highest standards of asset management and accountability.

Committee Observation

1343. The Committee observed that the matter had been resolved as the Management confirmed that all assets within the institution have been tagged, serialized, and recorded in the assets register. This resolution, evidenced by management's commitment to upholding high standards of asset management and accountability, typically means the Auditor-General was satisfied with the Management Response.

13.3 Audited Statement for the Financial Year 2020/21

13.3.1 Comparative Transfers from National Government

1344. The statement of financial performance reflects comparative transfers from the National Government balance of Kshs.10, 157,000 relating to the previous financial year. However, Note 6(a) to the financial statements reflects a comparative balance of Kshs.13, 952,000. No explanation was provided for the discrepancy.

Management Response

1345. The Management acknowledges the variance highlighted in Note 6(a) concerning the comparative transfers from the National Government. The variance of Kshs. 3,795,000 between the figures of Kshs. 10,157,000 and Kshs. 13,952,000 relates to a receivable from non-exchange transactions recognized during the 2019/2020 financial year. This discrepancy has been duly noted and accounted for in our financial records. Going forward, the management will ensure that such

variances are clearly explained in our financial statements to provide transparent and accurate.

Committee Observation

1346. The Committee observed that the matter had been resolved as the Management provided a detailed explanation that the variance of Kshs. 3,795,000 related to a receivable from non- exchange transactions recognized in the prior financial year. Since the management duly noted and accounted for this discrepancy, the resolution suggests that the Auditor-General was satisfied with the Management Response.

13.3.2 Property Plant and Equipment

1347. The statement of financial position reflects property, plant and equipment with a net book value of Kshs.208, 549,268, as further disclosed in Note 20 (a) to the financial statements. The balance excludes unvalued assets which include roads, pathways and fences, car parking shades, water reticulation and borehole system and biological assets.

1348. In addition, records provided for audit indicated that the Institute was allocated a plot of land by the defunct County Council of Nyambene in 2010. However, there was delay in transferring the ownership documents to the Institute. Minutes of the then Town Planning and Market Committee dated 02 October, 2010 indicated that the plot measured 18 acres. However, Lands Office search results obtained by the institute in January, 2021, put the land area at 6.7 hectares (16.5 acres). No record was made available to explain the reduction of the area by 1.5 acres from the original allotment of 18 acres to 16.6 acres. In the circumstance, the accuracy of the actual acreage owned by the institute could not be confirmed. Further, although the institute provided a valuation report on its land from the Public Works Department, the report was not signed and as a result, its validity could not be confirmed.

1349. In view of these issues, the accuracy and completeness of the property, plant and equipment balance totaling Kshs.208,549 could not be confirmed.

Management Response

1350. The management acknowledges the discrepancies highlighted regarding the property, plant, and equipment balance as outlined in Note 20(a) of the financial statements, particularly concerning unvalued assets and land ownership documentation.

1351. Regarding the unvalued assets, including roads, pathways, fences, car parking shades, water reticulation, borehole system, and biological assets, the management will undertake a comprehensive valuation exercise to determine their fair value and ensure they are properly

accounted for in our financial records.

1352. Concerning the land allocation issue, the management can confirm that the institute was allocated a plot of land by Athwana Secondary School. The initial allocation was proposed by the school board of management to be 18 acres. However, the secondary school had a total of 33 acres and the commission of lands shared the 33 acres equally between Athwana Secondary School and Karumo Technical Training Institute and each institution was allocated 16.5 acres. This reduction in acreage was not adequately explained in the records provided.

1353. Regarding the absence of a title deed for the land, the management reiterates that we are actively engaged in the process of following up with the Lands Office to expedite the issuance of the title deed for the land allocated to the Institute.

1354. The management is committed to enhancing our asset management processes to ensure the accuracy and completeness of our property, plant, and equipment balances.

Committee Observation

1355. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the managements' response, having verified the documents provided concerning the variation of scope, the separate procurement of the items, and the project completion.

13.3.3 Revaluation Reserves

1356. The statement of changes in net fixed assets reflects a revaluation gain amounting to Kshs.170,264,351. However, the balance could not be traced to the assets schedule or property plant and equipment balance. Further, the assets revaluation report showing the values of the revalued assets, and how the revaluation reserve of Kshs.170,264,351 was arrived at, was not provided for audit review.

1357. In the circumstance, the accuracy of the statement of changes in net assets could not be confirmed.

Management Response

1358. The Management acknowledges the concerns raised regarding the revaluation reserves as reflected in the statement of changes in net fixed assets. It is regrettable that during the audit review, the detailed assets revaluation report, which outlines the values of the revalued assets and the methodology used to arrive at the revaluation reserve balance of Kshs. 170,264,351, was not provided. The management have now provided the assets revaluation report to enable the auditors to verify the accuracy and completeness of the revaluation reserve balance and ensure compliance with accounting standards.

Committee Observation

1359. The Committee observed that the matter had been resolved as the management provided the detailed assets revaluation report. This submission of the supporting documentation likely satisfied the Auditor-General, thereby enabling the verification of the accuracy and completeness of the revaluation reserve balance.

13.3.4 Rendering of Services

1360. The statement of financial performance reflects revenue receipts from rendering of services totaling Kshs.61,319,083, as further disclosed in Note 8 to the financial statements. The approved fees chargeable on each student per year was Kshs.56,420 payable once or in installments of 50%, 30% and 20% for Terms I, II and III respectively. However, billing for installment payments was done for students who physically reported back to the Registrar's office at the start of every new term, while details of students on industrial attachments, long-holidays, drop-outs and deferments were not updated in the Technical and Vocational Education and Training Management Information System. As a result, it was not possible to account for all the students in session and confirm whether they had been billed accordingly in the year under review.

1361. In the circumstances, the completeness and accuracy of the rendering of services income totaling Kshs.61, 319,083 reported in the year under review could not be confirmed.

Management Response

1362. We acknowledge the completeness and accuracy of the rendering of services income, totaling Kshs. 61,319,083, as reported in the financial statements.

1363. Our revenue recognition follows the IPSAS accrual basis of accounting, wherein income is recognized when earned, not necessarily when received, and our primary source of income from the rendering of services is derived from school fees paid by our trainees.

1364. The management acknowledges that billing for instalment payments was primarily done for students who physically reported back to the Registrar's office at the beginning of each new term. However, we recognize that there were shortcomings in updating details of students who were on industrial attachments, long holidays, drop-outs, or deferments in the Technical and Vocational Education and Training Management Information System (TVETMIS). To address this, we have enhanced our processes for updating student records in the TVETMIS to ensure that all relevant information is captured, including students on industrial attachments, long holidays, drop-outs, or deferments. We can now accurately account for all students in session and confirm whether they

have been billed appropriately.

Committee Observation

1365. The Committee observed that the matter had been resolved as the auditor-general was satisfied with the managements' response, following the verification of supporting documents provided, concerning the scope variation and separate procurement of the items.

13.3.5 Refundable Deposits from Students - Caution Money

1366. The statement of financial position reflects refundable deposits from customers totaling Kshs.801,200, as further disclosed in Note 22 to the financial statements. However, examination of documents provided for audit review revealed the following anomalies.

1367. Management did not maintain a separate bank account for the refundable caution money collected from students since inception of the institute in September, 2015. Records provided for audit indicated that Kshs.801, 200 had been collected from students. However, there was no evidence that the refundable deposits were in the institute's bank accounts, or whether there was a policy on how these deposits should be held or accounted for.

1368. As stated, the Management had, as of 30th June, 2021, collected caution money totaling Kshs. 801,200 since the inception of the institute in September, 2015. Further, six-hundred and forty-nine (649) students had completed their courses. However, by the time of the audit in April, 2022, none of the students had been refunded their caution monies.

1369. In the circumstance, the accuracy and existence of caution monies totaling Kshs.801,200 as of 30th June, 2021 could not be confirmed.

Management Response

1370. The Management acknowledges the concerns raised regarding the handling and accounting of refundable deposits from students, specifically caution money, as outlined in Note 22 of the financial statements.

1371. In response, the management would like to provide clarification regarding the nature of caution money. Caution money is a set amount charged to every new trainee to cover any potential damages or losses incurred during their period of study. For our institution, this amount is Kshs. 500 per student. While we did not operate a separate bank account for caution money, it is important to note that caution money is not recognized as revenue in the statement of financial performance. Instead, it is treated as a liability in the statement of financial position, as it is subject to refund to every student upon successful clearance with the institute.

1372. The management acknowledges the necessity of establishing clearer policies and procedures for the handling and accounting of caution money to ensure transparency and accountability. Moving forward, we have taken steps to rectify these issues, including establishing formal policies for its management and refund process.

Committee Observation

1373. The Committee observed that the matter had been resolved as the management provided clarification regarding the nature of the refundable deposits, aligning their accounting treatment (as a liability) with standards. The Committee was therefore satisfied with the Management Response, particularly the commitment to developing formal policies and procedures for handling these funds.

13.3.6 Budgetary Control and Performance

1374. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis totaling Kshs.121,350,500 and Kshs.94,031,647 respectively resulting to a shortfall of revenue totaling Kshs.27,318,853 or 23% of the budget.

1375. Similarly, the institute expended Kshs.90,628,646 against an approved budget of Kshs.121,350,500 resulting to under-expenditure of Kshs.30,721,854 or 25% of the budget.

1376. The revenue shortfall and under-expenditure may have constrained the operations of the institute and impacted negatively on delivery of services to its students and other stakeholders.

Management Response

1377. The underutilization of the budget during the first two quarters of the year under review was impacted by the unprecedented closure of learning institutions as a result of the COVID-19 pandemic. The sudden and prolonged closure necessitated significant adjustments to our operations and expenditures, leading to a lower-than-anticipated utilization of allocated funds. The management is committed to mitigating the effects of the pandemic on our budgetary performance moving forward.

Committee Observation

1378. The Committee observed that the budget underutilization and revenue shortfall were impacted by the unprecedented closure of learning institutions as a result of the COVID-19 pandemic during the year under review. The resultant adverse effects of the pandemic, specifically due to mandated closures as a containment measure, are noted as a common issue across many institutions. However, the Committee further observes that significant underfunding resulting in budget

shortfalls remains a cross- cutting issue among institutions, which subsequently negatively impacts service delivery.

Committee Recommendation

1379. The Committee recommends that the accounting officer henceforth reviews budgets quarterly to reflect realities, through the use of supplementary budgets, thereby aligning planned activities with attainable funding levels. Furthermore, recognizing the inherent risk of reliance on government funding and external crises like the pandemic, the institution should actively develop other income generating activities to supplement their cashflow and ensure sustainability of services, rather than relying solely on Government of Kenya (GoK) funding.

13.3.7 Untagged Assets

1380. As similarly reported in the previous year, computers, furniture and fittings with a historical cost value of Kshs.7,448,700 and Kshs.6,700,000 respectively all totaling to Kshs.14,148,700, were not labelled or tagged. The omission was contrary to Sect139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of a national government entity to maintain proper control systems for assets that enable tracking of the movement and condition of the assets. Further, the institute did not maintain an updated asset register.

1381. In the circumstances, Management was in breach if the law.

Management Response

1382. The management acknowledges that the audit finding regarding the absence of tags on computers, furniture, and fittings, which is not in compliance with Section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015. This deficiency indeed constitutes a breach of the regulations, and we appreciate its identification by the auditors. However, we have taken corrective action to rectify this issue. All assets within the institution have been tagged, serialized, and recorded in the assets register. We are committed to upholding the highest standards of asset management and accountability.

Committee Observation

1383. The Committee observed that the matter had been resolved as the management confirmed that all assets within the institution have been tagged, serialized, and recorded in the assets register. This effective corrective action suggests that the Auditor-General was satisfied with the Management Response.

13.3.8 Lack of Internal Audit Department

1384. During the years under review, the institute operated without an Internal Audit Unit contrary to Section 73(1)(a) of the Public Finance Management Act, Cp. 412A. The provision requires every government entity to have in place appropriate arrangements for conducting an internal audit according to the guidelines of the Accounting Standards Board.

1385. In the circumstance, the effectiveness of the internal controls was doubtful. In addition, the institute was in breach of the law.

Management Response

1386. The management acknowledges the audit finding regarding the lack of an Internal Audit Unit as of June 30, 2020, which is contrary to the requirements outlined in Section 73(1)(a) of the Public Finance Management Act, Cap. 412A This oversight is indeed a breach of the Act, and we appreciate its identification by the auditors.

1387. During the year under review, our institution was indeed in its early stages of development, and establishing an internal audit function was a work in progress. However, to address the need for oversight and compliance, we engaged the services of internal auditors from Meru National Polytechnic.

1388. The management is pleased to report that significant progress has been made since then.

1389. As of January 1st, 2024, our Internal Audit Department has been fully established and operational. We have appointed an internal auditor to lead this function, thereby aligning with the requirements of the Public Finance Management Act. We appreciate the auditor's findings, which have prompted us to take proactive measures to strengthen our internal governance structures.

Committee Observation

1390. The Committee observed that the matter had been resolved. The Management confirmed that the lack of an Internal Audit Unit, a breach of Section 73(1)(a) of the Public Finance Management Act, Cap. 412A was addressed by establishing a fully functional and operational Internal Audit Department as of January 1, 2024, with an appointed internal auditor.

13.3.9 Lack of Internal Audit Committee

1391. As similarly reported in previous years, the institute operated without an established Audit Committee contrary to Section 73(5) of the Public Finance Management Act, Cap. 412A. The law requires every national government public entity to establish an Audit Committee whose composition and functions shall be as prescribed by the Regulations to the Act.

1392. In the circumstances, the effectiveness of internal control and governance could not be confirmed. In addition, the institute was in breach of the law.

Management Response

1393. The management acknowledges the audit finding regarding the non-establishment of an Audit Committee as required by Section 73(5) of the Public Finance Management Act, Cap. 412A. We recognize that the absence of an Audit Committee is a breach of legal requirements and may impact the effectiveness of internal controls.

1394. Subsequent to the audit recommendation, an Audit Committee has been established and is now fully functional. The Committee is composed in accordance with the regulations, and its responsibilities, including supporting the Accounting Officer in issues of risk, control, and governance, as well as following up on audit recommendations, are being diligently carried out.

Committee Observation

1395. The Committee observed that the matter had been resolved as the Management demonstrated that the Audit Committee has been established and is fully functional, composed in accordance with relevant regulations. This outcome indicates that the Auditor-General was satisfied with the corrective measures undertaken by the Institute.

13.4 Audited Statements for the Financial Year 2022/23

13.4.1 Long Outstanding Receivables from Exchange Transactions

1396. The statement of financial position reflects receivables from exchange transactions balance of Kshs.301, 377,676 which includes student debtors balance of Kshs.301, 129,486 as disclosed in Note 16 to the financial statements. Review of the ageing analysis of receivables from exchange transactions reveals that included in the student debtors balance of Kshs.301,129,486, are receivable balances amounting to Kshs.165,963,437 which had been outstanding for more than one (1) year. However, there was no policy on the impairment of long outstanding fees arrears. In addition, the Institute's Management did not include a provision for bad debts in the financial statements.

1397. Review of the ageing analysis of receivables from exchange transactions further revealed that included in the balance of Kshs.301,377,676 are outstanding receivables of Kshs.165,963,437 which have been outstanding for more than one year which ought to have been classified under long-term receivables from exchange transactions.

1398. In the circumstances, the accuracy and recoverability of the receivables from exchange transactions

balance of Kshs.165, 963,437 could not be confirmed.

Management Response

1399. The management has a debt management policy that guides us to provide for bad debts that have been outstanding for more than 3 years.

Committee Observation

1400. The Committee observed that the primary issue concerns the significant balance of Kshs.165,963,437 in student debts outstanding for more than one year. While Management confirmed the existence of a debt management policy that guides provision for debts outstanding for more than three years, the initial omission of a bad debts provision and the failure to correctly classify receivables exceeding one year indicate a deficiency in adhering to proper disclosure requirements and risk management practices. The failure to implement an effective provision for long outstanding receivables is a recurring lapse across institutions.

Committee Recommendation

1401. The Committee recommends that the Accounting Officer must immediately ensure the effective implementation of the debt management policy, specifically requiring appropriate and timely provision for bad and doubtful debts on long outstanding receivables to ensure compliance with International Public Sector Accounting Standards (IPSAS). Active and continuous efforts must be implemented and sustained to recover the long outstanding receivables amounting to Kshs.165,963,437.

1402. Furthermore, the accounting officer must ensure that outstanding receivables exceeding one year are correctly classified as long-term receivables in the financial statements to ensure accurate disclosure and presentation.

1403. Finally, the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act, Cap. 412A and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by maintaining accurate financial records

13.4.2 Unsupported Expenditure on Use of Goods and Services

1404. The statement of financial performance reflects use of goods and services amount of Kshs.118, 171,120 as disclosed under Note 10 to the financial statements. This expenditure includes an amount of Kshs.194,300 which was not supported with payment vouchers.

1405. In the circumstances, the accuracy and completeness of use of goods and services amount of Kshs.194, 300 could not be confirmed.

Management Response

1406. The Management has attached documents.

Committee Observation

1407. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response

13.4.3 Inaccurate Statement of Comparison of Budget and Actual Amount

1408. The statement of comparison of budget and actual amounts reflects final total income performance difference of Kshs. (72,809,376). However, a recast of the performance difference results in a difference of Kshs.72,809,376.

1409. In the circumstances, the accuracy and completeness of the statement of financial performance and the statement of comparison of budget and actual amount could not be confirmed.

Management Response

1410. This has been adjusted in the subsequent years.

Committee Observation

1411. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

13.4.4 Budgetary Control and Performance

1412. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.311,074,000 and Kshs.238,264,624 respectively, resulting to an under performance of Kshs.72,809,376 or 23% of the budget.

1413. The institute spent an amount of Kshs. 220,840,624 against actual receipts of Kshs.238,264,624 resulting to an under-utilization of Kshs.17,424,000 or 7% of actual receipts.

Management Response

1414. This is well noted and we shall ensure that the budget is fully implemented in the subsequence years.

Committee Observation

1415. The Committee observed that the significant budget under-performance is a matter of concern as it indicates weaknesses in budgetary planning and negatively affected the intended planned activities, potentially impacting service delivery. The Committee further observes that budgetary deficits and delays in funding are a cross-cutting issue affecting many public institutions.

Committee Recommendation

1416. The Committee recommends that the Accounting Officer henceforth review budgets quarterly to reflect realities, through supplementary budgets. Further, the institution should develop alternative income-generating ventures to avoid overreliance on Government funding.

13.4.5 Non-Compliance with the Public Sector Accounting Standards Board Financial Reporting Template

1417. Review of the financial statements submitted for audit reveals that Notes 5, 6, 7 and 8 to the financial statements have not been aligned to the financial statements.

Management Response

1418. This has been rectified in the subsequent year.

1419. The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Karumo Technical Training Institute Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Committee Observation

1420. The Committee observed that this lack of compliance with the mandated financial reporting template and the misalignment of Notes 5, 6, 7, and 8 is indicative of poor accounting standards and lack of diligence by the Management.

Committee Recommendation

1421. The Committee recommends that the accounting officer must at all times ensure compliance with the International Public Sector Accounting Standards (IPSAS) and the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB). The accounting officer should also ensure that proper systems are put in place to ensure early detection and correction of errors.

13.4.6 Failure to Maintain Staff Establishment

1422. The institute's approved staff establishment was not provided for audit.

1423. Review of personal files revealed missing documents such as identification documents (ID) National Social Security Fund (NSSF) details, (National Hospital Insurance Fund (NHIF) numbers, and Kenya Revenue Authority (KRA) Personal Identification Number (PIN).

Management Response

1424. The staff establishment policy was signed in August 2024.

1425. The management has ensured that all the relevant documents recommended are now in the individual files.

Committee Observation

1426. The Committee observes that the matter had been resolved as the staff establishment policy had been signed (August 2024) and the Auditor-General was satisfied that the required personnel documentation had been secured and placed in the individual files, thereby verifying the establishment and accuracy of the employee records.

13.4.7 Non-compliance with Staff Ethnic Diversity Requirement

1427. Review of the payroll revealed that the institute has a total of one hundred and forty-two (142) staff out of which seventy-seven (77) or 54% of employees come from the dominant ethnic group.

1428. Review of the financial statements submitted for audit reveals that Notes 5, 6, 7 and 8 to the financial statements have not been aligned to the financial statements.

1429. In the circumstances, the financial statements have not been prepared in accordance with the financial reporting template issued by the Public Sector Accounting Standards Board and IPSAS.

Management Response

1430. This is being addressed in the subsequent Recruitment by ensuring that there is a balance in diversity.

Committee Observation

1431. The Committee observes that the matter had been resolved as the staff establishment policy had been signed (August 2024) and the Auditor-General was satisfied that the required personnel documentation had been secured and placed in the individual files, thereby verifying the establishment and accuracy of the employee records.

13.4.8 Budgetary Control and Performance

1432. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.311,074,000 and Kshs.238,264,624 respectively, resulting to an under performance of Kshs.72,809,376 or 23% of the budget. However, the institute spent an amount of Kshs.220,840,624 against actual receipts of Kshs.238,264,624 resulting to an under-utilization of Kshs.17,424,000 or 7% of actual receipts.

1433. The under-performance and under-utilization affected the planned activities and may have impacted

negatively on service delivery to the public.

Management Response

1434. This is well noted and we shall ensure that the budget is fully implemented in the subsequent years.

Committee Observation

1435. The Committee observed that the significant budget under-performance (23% shortfall in receipts) and resultant under-utilization affected the intended planned activities, potentially impacting service delivery to the public. The Committee further observes that significant variances between the budget and actual performance indicate planning weaknesses and that budgetary deficits and delays in funding are a cross-cutting issue affecting many public institutions.

Committee Recommendation

1436. The Committee recommends that the accounting officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets. Further, the institution should develop alternative income-generating ventures to avoid overreliance on government funding.

13.4.9 Un-refunded Caution Money

1437. Note 20 to the financial statements reflects refundable deposits from the student's balance of Kshs.4, 097,825 relating to caution money paid by students which was not refunded or surrendered to Unclaimed Financial Assets Authority.

Management Response

1438. The caution money amounting to Kshs. 4,097,825 has been money set aside to cater for damages by students which is expensed whenever such costs are incurred.

Committee Observation

1439. The Committee observes that the caution money is a liability that must be either refunded to the students upon completion of their studies or surrendered to the Unclaimed Financial Assets Authority (UFAA) if unclaimed for the statutory period. The failure by Management to adhere to Section 9 of the Unclaimed Financial Assets Act, Cap.494, by not surrendering the unclaimed balance constitutes a breach of the law. Furthermore, the treatment of this balance, which should be held as a refundable liability, risks misstatement of the financial position and indicates weak internal controls over deposits.

Committee Recommendation

1440. The Committee recommends that the accounting officer immediately complies with Section 9 of the Unclaimed Financial Assets Act, Cap. 494, and surrenders all unclaimed caution money outstanding for over two years to the Unclaimed Financial Assets Authority. Additionally, the accounting officer must, henceforth, operate a separate bank account for the refundable deposits to ensure controls are strengthened, and must maintain clear records regarding the status (refunded, expensed for damages, or unclaimed) of all caution money collected.

13.4.10 Lack of Internal Audit Function and Audit Committee

1441. During the year under review, the institute had not constituted an audit committee and an internal audit unit.

Management Response

1442. The internal auditor was engaged in January 2024.

Committee Observation

1443. The Committee observes that the institute should engage of an internal auditor in January 2024 substantially resolves the lack of an internal audit function.

Committee Recommendation

1444. The Committee recommends that the management must ensure that the internal audit function and audit committee are fully constituted and operational in accordance with the Public Finance Management Act, Cap. 494 (Section 73(5)). The Office of the Auditor General should confirm their operational status in the next audit cycle.

13.4.11 Failure to Tag Assets

1445. Physical verification of the Institute's assets revealed that the assets had not been tagged.

Management Response

1446. Assets have been tagged and the documents attached.

Committee Observation

1447. The Committee observed the submission of documents confirming that assets have been tagged resolves this issue.

Committee Recommendation

1448. The Committee recommends that the accounting officer must ensure continuous adherence to asset tagging and maintenance requirements, ensuring proper asset registers are kept as mandated by Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015.

13.5 Audited statement for the Financial Year 2023/2024

13.5.1 Long Outstanding Receivables from Exchange Transactions

1449. Note 15 to the financial statements reflects current receivables from exchange transactions balance of Kshs.381,719,459. Included in this balance are student debtors of Kshs.381,386,269 being an increase by Kshs.80,256,783 or 26% from Kshs.301,129,486 reported in the previous year.

1450. There was no policy on the impairment of long outstanding fee arrears casting doubt on the fair statement of the accounts receivables balance.

Management Response

1451. The management has a debt management policy that makes it possible to provide for bad debts which have been outstanding for more than 3 years.

Committee Observation

1452. The Committee observed that the issue is partially addressed, as acknowledged by the Committee.

Committee Recommendation

1453. The Committee recommends that the Accounting Officer ensures that a comprehensive Debt Management and Impairment Policy is not only formulated but also disclosed in the financial statements, detailing how provision rates are derived according to Section 68(2)(k) of the PFM Act, Cap. 412A and IPSAS requirements.

13.5.2 Unsupported and Long Outstanding Refundable Deposits

1454. Note 19 to the financial statements reflects refundable deposits from student's balance of Kshs.4,143,825. This balance is in respect to caution money that has not been refunded to students who have completed their studies.

Management Response

1455. The caution money amounting to Kshs. 4,143,825 has been money set aside to cater for damages by students which is expensed whenever such costs are incurred.

Committee Observation

1456. The Committee observes that the management's response fails to clarify the process for refunding unclaimed deposits to students who complete their studies without damages, indicating a lack of appropriate internal controls for this liability.

Committee Recommendation

1457. The Committee recommends that the accounting officer must immediately comply with Section 9 of the Unclaimed Financial Assets Act, Cap. 494, and surrender all unclaimed caution money outstanding for over two years to the Unclaimed Financial Assets Authority.

13.5.3 Incomplete Property Plant and Equipment Balance

1458. Property plant and equipment balance of Kshs.260,816,337 which excludes the value of a parcel of land where the institute has been constructed. The value was not disclosed in the summary of the fixed assets register.

Management Response

1459. The ownership documents attached.

Committee Observation

1460. The Committee observed that the Auditor General was satisfied with the provision of the asset register.

13.5.4 Budgetary Control and Performance

1461. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.384,947,800 and Kshs.315,278,949 respectively resulting to under collection of Kshs.69,668,851 or 18% of the final receipt budget.

1462. Similarly, the institute expended Kshs.231,841,799 against actual receipts of Kshs.315,278,949 resulting in an under-expenditure of Kshs.83,437,150 or 26% of the actual receipts.

Management Response

1463. This is well noted and the management shall ensure that the budget is fully implemented in the subsequence years.

Committee Observation

1464. The Committee observed that there was a significant under-collection (18%) and under-expenditure (26%) indicate recurrent challenges in budget formulation and external funding shortfalls, characteristic of many public institutions.

Committee Recommendation

1465. The Committee recommends that the accounting officer must henceforth review budgets quarterly to reflect financial realities through supplementary budgets.

13.5.5 Non-compliance with the Law on Staff Ethnic Composition

1466. Analysis of the staff bio-data and review of payroll records revealed that the institute had one

hundred and forty (140) staff on middle and senior management level, out of which seventy-five (75) or 54% were from a dominant ethnic group in Kenya.

Management Response

1467. This is being addressed in the subsequent recruitment by ensuring that there is a balance in diversity.

Committee Observation

1468. The Committee observed that the staffing composition remains non-compliant with the National Cohesion and Integration Act, Cap. 7N, suggesting that previous recruitment processes have failed to ensure fair and diverse representation.

Committee Recommendation

1469. The Committee recommends the accounting officer to make deliberate efforts to correct the imbalance, ensuring affirmative action in subsequent recruitments in accordance with Section 7(2) of the National Cohesion and Integration Act, Cap. 7N, and Article 232 (1) (h) and (I)(ii) of the Constitution.

13.5.6 Failure to Tag Assets

1470. The statement of financial position and as disclosed in Note 17a to the financial statements reflects property plant and equipment balance of Kshs.260,816,337. Audit revealed that the assets were not tagged therefore it was not possible to identify or locate the assets.

Management Response

1471. Assets have been tagged and the documents attached.

Committee Observation

1472. The Committee observed that the repetition of this query shows previous compliance lapses, but the subsequent tagging of assets resolves the immediate issue.

Committee Recommendation

1473. The Committee recommends the accounting officer must maintain strict internal controls over asset management and ensure continuous compliance with asset identification and registration requirements.

13.5.7 Lack of Staff Establishment

1474. Note 10 to the financial statement reflects Kshs.44,364,095 in respect to employee costs.

1475. The audit revealed that the institute did not have an approved staff establishment to guide while conducting recruitment.

Management Response

1476. The staff establishment policy was signed in August 2024.

Committee Observation

1477. The Committee observed that the development and signing of the staff establishment policy in August 2024 resolves this issue.

Committee Recommendation

1478. The Committee recommends that the accounting officer must ensure the approved staff establishment and policy are fully implemented to guide effective human resource management functions, including recruitment, job descriptions, and promotion.

14.0 MACHAKOS TECHNICAL INSTITUTE FOR THE BLIND

1479. Mr. Abdi K. Tiony, Chief Principal, accompanied by;

i. Mr. Kevin Aming'a- Internal Auditor
ii. Ms. Irene Jelimo- Procurement Officer
iii. Mr. Gregory Nzamba- Human Resource Officer
iv. Mr. Francis Muli- Chief Finance Officer
v. Mr. Patrick Mutula- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Machakos Technical Institute for the Blind, on 26th May 2025.

14.1 Audited statement for the Financial Year 2018/19

14.1.1 Failure to Maintain Proper Books of Accounts

1480. Statement of financial performance reflects Kshs.52,133,175 and Kshs.66,703,894 in respect to total revenue and expenses for the year respectively with a resultant net deficit of Kshs.14,570,719. In addition, the statement of financial position reflects Kshs.362,280,612 in respect to both total assets and total liabilities and capital and reserves. However, the management did not provide audit cashbooks, ledgers, trial balance and schedules in support of these amounts and balances.

Management Response

1481. The management noted the figures of Ksh52,133,175 and Ksh66,703,894 and Ksh14,570,719 were erroneous. Further the management amended the financial statements, with the statement of financial performance reflecting the correct total revenue of Ksh.47,340,956 and total cost of

Ksh.65,007,720, with a resultant deficit of ksh.17,666,764.

1482. The figure Kshs.362,280,612 for both total assets and total liabilities and capital and reserves was erroneous, the management correctly reports the figure of KSh.335,903,25.

1483. To support the corrected figures, the management submitted the following books of original entry to OAG: -

i. Cashbook
ii. Trial balance
iii. Financial statements

Committee Observation

1484. The Committee observed that the initial failure to maintain proper books of accounts, requiring extensive reconstruction and amendment of financial statements is resolved as the required documentation was provided.

Committee Recommendation

1485. The Committee recommends that the management must adhere strictly to Section 68(2)(b) of the PFM Act, Cap. 412A to ensure the entity keeps financial and accounting records that comply with the Act.

14.1.2 Unaudited Opening Balances

1486. The statement of financial position reflects the opening balances of Kshs.371,455,970 in respect of both total assets and liabilities as of 30th June, 2018. However, the management did not submit the financial statements for the year ended 30th June, 2018 to the Auditor General for the audit.

1487. This is a contravention of the provisions of section 68 (2) (k) of the Public Finance Management Act, Cap. 412A which stipulates that in the performance of a function under subsection (1), an account officer shall – prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the controller of Budget and the Auditor General for audit, and in the case of a national government entity, forward a copy to the National Treasury.

Management Response

1488. The management has submitted the financial statements with statement of financial position showing corrected opening balances of Kshs. 333,675,141.41 in respect of both total assets and liabilities as of 30th June, 2018.

1489. As of 30th June 2018, the financial statements had been prepared and were audited by the Schools'

Audit unit as per the basic Education Act 2013, No. 14 of 2013, Section 90.

The management attaches a copy of the same.

Committee Observation

1490. The Committee observed that the management has addressed the governance issue by engaging an Internal Audit unit.

14.1.3 Presentation and Disclosure in the Financial Statements

1491. Review of the financial statements presented for audit revealed areas of non-compliance with the prescribed reporting format as follows:

i. The table of contents does not specify the name of the auditor under report of the independent auditors.

ii. The statement of Board of Governors' responsibilities at folio xx is not signed by one Board Member

iii. The report on Management Discussion and Analysis on page xix does not make use of descriptive tools such as graphs and pie charts to give a detailed review of the institute's performance as required.

iv. The ICPAK membership number of the Finance Officer has not been indicated on the statement of financial position

v. The financial statements from page 6 onwards includes references to xxx in several sections instead of providing the relevant specific information

vi. Guidance notes appearing under Note 28 on cash and cash equivalents have not been removed

vii. Financial risk management details on liquidity, market & capital risk have not been completed and tabulated on page 35 to the financial statements.

Management Response

1492. The mismatch was noted and a corrective action has been taken as follows in the amended financial statements.

1493. The Office of Auditor General who is the Independent Auditor has now been started. 1491. The reports have been signed by the Board member (s) as required.

1494. The Management Discussion Analysis have been properly numbered and graphs and pie charts have been used to describe performance.

1495. The Institute has employed a Finance Officer. ICPAK No 13946 is now indicated in the Statement

of Financial Position.

1496. Management is now providing relevant information in financial statements and xxx removed.

1497. Guidance notes under note 28 on cash and cash equivalents are now removed.

1498. Financial risk management details on liquidity, market & capital risk are now being completed.

Committee Observation

1499. The Committee observed the numerous inaccuracies and lack of adherence to the prescribed reporting format demonstrate negligence in the preparation of the financial statements.

Committee Recommendation

1500. The Committee recommends that the accounting officer ensures that all future financial statements are meticulously prepared and subjected to a rigorous internal audit review for accuracy, completeness, and full compliance with the Public Sector Accounting Standards Board (PSASB) template and IPSAS to eliminate clerical and formatting errors according to Section 68(2)(k) of the PFM Act, Cap. 412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B.

14.1.4 Cash and Cash Equivalents

1501. The statement of financial position reflects cash and cash equivalents balance of Kshs.

1502. 11,079,068. However, the bank balance was not supported by way of monthly bank reconciliation statements. This is contrary to the provisions of Regulation 90 (1) of the PFM (National Government) Regulations, 2015 which stipulates that Accounting Officers shall ensure bank accounts reconciliations are completed by each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General. Further, the comparative balance of Kshs. 20,514,657 for the financial year 2017/2018 differs with the figure of Kshs. 25,649,787 shown in Note 28 to the financial statements by an unexplained amount of Kshs.5,135,130.

1503. In addition, the detailed analysis of cash and cash equivalents is given under Note 27 (a) instead of 28 (a) which is the relevant disclosure note.

Management Response

1504. The management reconstructed the statement of financial position correctly reflecting cash and cash equivalents balance of Kshs.12,475,603.66.

1505. The management has presented an annual reconciliation statement to support cash and cash equivalents balances as reflected.

1506. The comparative balances for the financial year 2017/2018 have now been aligned correctly with the noted numbers at Kshs. 20,502,506.25.

1507. The Management has amended the noted error of Ksh20,514,657 in the financial statement 2018 to Kshs. 20,502,506 supported by bank reconciliation. The notes have also been correctly aligned.

Committee Observation

1508. The Committee observed that the matter is resolved as the management presented the necessary annual reconciliation statements and ensured comparative balances were correctly aligned.

14.1.5 Transfers from the National Government Grants

1509. The statement of financial performance reflects Kshs. 36,900,818 in respect of transfers from National Government-grants and gifts in kind. However, the bank statements presented for audit showed receipts during the year totaling Kshs 19,014,126 resulting in the unexplained overstatement of Kshs. 17,886,692.

Management Response

1510. The kshs.36,900.818 presented as a transfer from the National Government – grants and gifts in kind - is the total amount recognized as received under the line of transfers from the National Government in that financial year. However different amounts were received in different bank accounts and the amount of Kshs.19,014,126 was the only amount received in the current Account in Standard Chartered bank – A/C No. 0102867548600.

1511. The variance of Kshs. 17,886,692.00 was received in the Savings account in the Standard Chartered bank No. 0152567548600 during the same period.

1512. The management has prepared a summary of grants received during the year to clarify on this.

Committee Observation

1513. The Committee observed that the matter is resolved as the management adequately explained the variance by clarifying that the total grants received included transfers into both the Current Account and Savings Account, supported by the summary schedule.

14.1.6 Revenue from Exchange Transactions

1514. The statement of financial performance reflects Kshs. 14,484,333 in respect of revenue from exchange transactions. The analysis of duplicate copies of the receipts revealed a total amount of Kshs. 8,094,443 as revenue from exchange transactions resulting to an unexplained variance of Kshs. 6,389,890.

Management Response

1515. The management has amended the statement of financial performance with a revenue from exchange transactions being Ksh.10,434,138, of which Ksh. 8,735,163 is from fees and Ksh1,698,975 is from other income.

Committee Observation

1516. The Committee observed the submission of amended financial statements showing corrected figures for revenue from exchange transactions resolves the issue of the unexplained variance.

14.1.7 Statement of Changes in Net Assets

1517. The statement of changes in net assets does not indicate balances carried forward as of 30th June, 2019, which is the reporting period. Further, the statement does not show the movement of reserves, accumulated surplus and capital fund during the year.

Management Response

1518. The management regrets these errors and the Statement of Changes in Net Assets has been adjusted appropriately showing the movement of reserves, accumulated surplus and capital fund during the year.

Committee Observation

1519. The Committee observed the adjustment of the statement to correctly reflect the movement of reserves and funds which resolves the matter.

Committee Recommendation

1520. The Committee recommends that the accounting officer must ensure strict compliance with the format prescribed by the Public Sector Accounting Standards Board (PSASB) when preparing statements of changes in net assets.

14.1.8 Statement of Comparison of Budgets and Actual Amount

1521. Review of the final budget figures reflected in the statement of comparison of budget and actual amounts revealed differences with the approved budget for the year resulting in variances totaling Kshs. 13,615,561.

Management Response

1522. The figures were incorrectly picked from the final budget while preparing statement of comparison of budget and actual amounts. Correct figures have now been picked and amended reflecting a deficit of Kshs. (12,493,684).

Committee Observation

1523. The Committee observed that the error resulting from incorrectly picking figures was clerical and

has since been rectified in the amended statements.

Committee Recommendation

1524. The Committee recommends that the Accounting Officer must put in place proper systems to ensure early detection and correction of clerical and typographical errors in financial statements.

14.1.9 General Expenses

1525. The statement of financial performance reflects an expenditure of Kshs. 52,944,165 in respect of general expenses for the year ended 30th June, 2019. Note 23 to the financial statements indicates that this expenditure includes an amount of Kshs. 13,483,292 in respect of development expenses of Kshs. 12,269,092.

1526. TVET fair and robotics contests expenses of Kshs. 1,280,400 and CAPA expenses was supported by way of payment vouchers leaving the balance of Kshs. 9,917,830 unsupported. In addition, no relevant supporting documents were provided for audit support of CAPA expenses.

1527. Additionally, the expenditure of Kshs. 1,280,400 incurred on TVET fair and robotic contests was not supported by way of payment vouchers, and relevant approvals by the Principal and Imprest warrants and documents confirming that the concerned Officers attended the training forums were not presented or audit.

Management Response

1528. The management regrettably noted the failure to present supportive vouchers at the time of audit. The vouchers have now been presented.

Committee Observation

1529. The Committee observes subsequent presentation of the vouchers resolves the matter regarding the validity of the expenditure.

14.1.10 Property, Plant and Equipment

1530. The statement of financial position reflects Kshs. 350,228,860 in respect to property, plant and equipment. This balance is the same for the financial years ending 30th June 2019 which may not be accurate given the movements in the assets during the year under review.

1531. However, a review of PPE schedule under note 33 to the financial shows that the balance brought forward as of 1st July, 2018 of Kshs.356,515,585 is erroneously indicated as additions during the year.

1532. Further, the PPE schedule does not show the depreciation charge and the accumulated depreciation as of 30th June, 2019, although a depreciated and amortization amount of Kshs.6,286,725 has been

reflected in the statement of financial performance.

Management Response

1533. The management noted the erroneous figure of Kshs. 350,228,860 and has developed an asset register reflecting a property, plant and equipment balance of Kshs. 325,892,074.49 as of 30th June 2019.

1534. The balance brought forward as of 1st July, 2018 of Kshs.356,515,585 was wrongfully indicated as additions during the year (Typo error). In the amended financial statements, the PPE balance brought forward and additions as of 1st July 2018 are now correctly reported in the template. Depreciation and amortization have now been correctly captured in the PPE schedule and statement of financial performance.

Committee Observation

1535. The Committee observed that multiple errors relating to the presentation, calculation of depreciation, and supporting schedules for PPE were noted but subsequently resolved by the management via the updated asset register and amendments to the financial statements.

14.1.11 Budgetary Control and Performance

1536. The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis of Kshs.66,879,527 and Kshs.52,133,175 respectively, resulting in a Kshs.14,746,352 shortfall in revenue which is equivalent to 22% of the approved budget.

1537. In addition, expenditure for the year of Kshs. 66,703,894 exceeded the revenue realized of Kshs. 52,133,175 resulting in a deficit of Kshs. 14,570,719.

1538. Failure to realize the budgeted revenue and spending more than the revenue generated during the year may negatively impact on the sustainability of the institute's operations which may lead to financial crisis.

Management Response

1539. The management had a shortfall in revenue duet to non-receipt of the budget amount from the government such as a development grant.

1540. The management commits to adhere to approved budgets estimates and error free budget preparation and reporting to mitigate on negative impact on the sustainability of the institute's operations.

Committee Observation

1541. The Committee observed a deficit resulting from the failure to meet revenue targets and high expenditure. This suggests persistent challenges in aligning budget forecasts with actual cash flows, potentially compounded by financial capacity issues.

Committee Recommendation

1542. The Committee recommends that the accounting officer should review budgets quarterly and strive to develop other income generating activities to increase cashflow, so as not to depend on government funding only.

14.1.12 Construction of 8 No. Door Toilet for Students

1543. The Institute's Management awarded a contract for the construction of 8 No. door toilet to a local contractor on 7th September, 2018, at a contract sum of Kshs.1,989,922 through the request for quotation method of procurement.

1544. However, it was noted that the awarded tenderer was not in the prequalified list of suppliers.

1545. In addition, the appointment letters of the inspection and acceptance committee inspection minutes were not provided for audit.

1546. This is contrary to section 48(1) of the Public Procurement and Asset Disposal Act, Cap. 412C.

1547. Officers of a procuring entity may establish an ad hoc committee known as the inspection and acceptance committee. Further, section 95(3) of the Act provides that a procuring entity shall invite tenders from on the approved persons who have been pre-qualified.

Management Response

1548. The tender for construction of 8 No. door toilet was awarded to a local company through request for quotation for of procurement, further, the firm was registered under the continuous registration of suppliers.

1549. Therefore, the tendering process for the construction of 8 No. door toilet was carried out within the law. Suffice to say, the tendering process met the requirement of section 105 (a) of PPDA, Cap. 412C which stipulates that a procuring entity may use a request for quotations from the register of suppliers for a procurement if:-

i. "the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations".

ii. the procurement is for goods, works or non-consultancy services that are

readily available in the market.

iii. the procurement is for goods, works or services for which there is an established market.

1550. The estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in the regulations.

1551. The management submits:

i. Opening and evaluation committee minutes.

ii. Quotation of companies.

iii. Awarding minutes from the Adhoc Committee.

iv. Inspection and Acceptance Adhoc committee appointments

Committee Observation

1552. The Committee acknowledges the provision of necessary documentation (minutes, quotations, appointment letters) and the clarification that the contractor was registered under continuous registration resolves the query regarding the irregularity and legality of the award.

14.1.13 Irregular Award of Tender for Security Services

1553. During the year under review, the amount of Kshs.867,845 was incurred on security services as disclosed in Note 23 to the financial statements on general expenses. However, a review of the related procurement documents, related to the security expenses, revealed that, the awarded security company was single sourced.

1554. No explanation was provided as to why there was a no competitive bidding process contrary to section 124(12) of the PPADA, CAP. 412C which specifies circumstances when single source selection may be appropriate.

Management Response

1555. The firm was registered under the continuous registration of suppliers.

1556. Management submits:

a) Quotation of companies

b) Opening committee minutes.

c) Awarding minutes from the Adhoc evaluation Committee Contract agreement.

Committee Observation

1557. The observes that the irregularity regarding the security tender award is resolved by the submission

of supporting documents, including quotations, minutes, and the contract agreement.

Committee Recommendation

1558. The Committee recommends that the Accounting Officer must ensure continuous compliance with Section 68(2)(b) of the PFM Act 2012 by ensuring supporting documents for all contracted services are provided on time.

14.1.14 Lack of Approved Scheme of Service, Staff Establishment and Code of Conduct

1559. The audit revealed that the Institute had twenty-two (22) employees as of 30th June, 2019. However, it was noted that there was no approved staff establishment and scheme service, which are required for effective performance of personnel functions including recruitment, job descriptions, placements, remuneration and promotions.

1560. It was also noted that the staff members had stagnated in the same job position for long with no career progression.

1561. In addition, the institute has not developed a code of conduct for its employees to outline and guide the norms, responsibilities and practices required of its employees.

Management Response

1562. The management submitted the following approved documents for effective performance of personnel functions: -

i. Staff Establishment
ii. Code of conduct – within HR manual page 39
iii. Scheme of service for BOG staff

1563. The management noted the stagnation and is currently reviewing to develop a new structure.

1564. In the current status, an HR manual and by extension a code of conduct, page 39, has been developed.

Committee Observation

1565. The Committee acknowledges that the management has developed a Human Resource Manual, Code of Conduct, and Scheme of Service for BOG staff, addressing the lack of clear personnel management structures.

14.1.15 Lack of an Internal Audit Function

1566. The audit revealed that the institute does not have an internal audit function and an audit committee.

1567. This is contrary to the provisions of section 73 of the PFM Act 2012 which requires every National Government entity to have arrangement in place for internal audit function for the purpose of carrying out in depth reviews of management operations and internal controls.

Management Response

1568. The management has employed an internal auditor and set up an internal audit function and committee.

Committee Observation

1569. The Committee observes that the establishment of an internal auditor and the setup of the internal audit function and committee adequately resolve this matter.

Committee Recommendation

1570. The Committee recommends that the accounting officer must ensure that the internal audit function and Audit Committee are fully constituted, trained, and operational as mandated by Section 73 of the PFM Act, Cap. 412A.

14.1.16 Lack of Risk Management Policy and Disaster Recovery and Business Continuity Plan

1571. The audit revealed that the institute does not have an approved risk management policy and a disaster recovery and business continuity plan.

1572. This is contrary to the provision of Regulation 165 (a) of the PFM (National Government) regulations 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies which include fraud prevention mechanisms, a system of risk management and an internal control that builds robust business operations.

Management Response

1573. The management submit the following policies developed and approved: -

a) Risk Management policy

b) ICT Policy with disaster recovery plan on page 59.

1574. Others, including a business continuity plan, are being developed by management.

Committee Observation

1575. The Committee observes that key governance policies (Risk Management, DRP) are now in place, addressing the control weakness.

Committee Recommendation

1576. The Committee recommends that the Accounting Officer must expedite the development and approval of remaining policies, such as the Business Continuity Plan, and henceforth ensure strict

adherence to Regulation 165(1) of the PFM (National Government) Regulations, 2015.

14.2 Audited statement for the Financial Year 2019/2020

14.2.1 Failure to Maintain Proper Books of Account

1577. The statement of financial position as at June 2020 reflects total net assets and liabilities of Kshs. 377,854,127.

1578. Further, the statement of financial performance for the year ended 30th June, 2020 reflects Kshs. 71,447,975 and Kshs. 60,525,337 in respect to total revenue and expenditure respectively for the year with a resultant surplus of Kshs. 10,922,638. However, management did not provide for audit, cash books, ledgers, trial balance and schedules to support the balances.

Management Response

1579. The balance reported was regrettably erroneous and the management has reconstructed the statement of financial position as of June 2020 reflecting total of net assets and liabilities of Ksh.354,240,390.29.

1580. The management regrets the error in the balances reported and has correctly reconstructed the statement of financial performance as at June 2020 reflecting revenue of Ksh.68,326,803.00 and expenditure of Ksh67,323,662.75 resulting to surplus of Ksh1,003,140.25.

1581. The management submits the following books of original entry to OAG to support the balances: -

i) Trial balance-

ii) Cashbook-

iii) Financial Statements

iv) Ledgers & Schedules

Committee Observation

1582. The Committee observed that of the severe initial failure to maintain proper books of account, requiring complete reconstruction of the statements, is indicative of negligence and systemic internal control failure.

Committee Recommendation

1583. The Committee recommends that the Accounting Officer must at all times ensure that the institution maintains complete and accurate financial records, including a balanced trial balance and updated cash books, to support all figures reflected in the financial statements according to Section 68(2)(b) of the PFM Act, Cap. 412A.

14.2.2 Inaccuracies in the Financial Statements

1584. A review of the statement of financial performance for the year ended revealed the following errors.

1585. Statement of financial performance reflects total revenue of Kshs.71, 447,975 in the year under review. However, a casting of the balances results to a total of Kshs.71,446,975 and the variance of Kshs.1,000 was not explained. Further, the statement reflects a total expenses comparative balance of Kshs. 66,703,893 while a recasting of the expenses totals to a balance of Kshs.67,192,393 resulting a casting error of Kshs.488,500.

1586. The statement reflects general expenses balance of Kshs.41.556,206 while Note 22 to the financial statements reflects a balance of Kshs.41,232,505 resulting to an unexplained and unreconciled variance of Kshs.323,701. In addition, Note 22 to Note 25 do not correspond to the respective notes to the financial statements.

1587. The statement of financial performance reflects rental revenue from facilities and equipment, other income, use of goods and services and employee costs comparative balances of Kshs. 510,000, nil balance, Kshs 935,806 and Kshs. 4,371,056 which differ with balances of Kshs. 980,000, Kshs.532,806, Kshs.52,944,265 and Kshs.9,822,290 reflected in Note 12,14,15 and 16 respectively.

1588. The statement reflects repairs and maintenance and grants and subsidies comparative balances of Kshs.680,641 and Kshs.488,500 respectively while the respective Note 19 and Note 22 reflects balances of Kshs. 1,667,610 and Kshs. 52,944,165. Further, the grants and subsidies comparative balance of Kshs. 680,641 varies with the nil balance reflected in the 2018/2019 audited financial statements.

1589. The statement reflects contracted services balance of Kshs. 453,600 in the year under review and a nil comparative balance. However, note 20 to the financial statements reflects a balance of Kshs.303,600 for the year 2019/2020 and Kshs.488,500 for 2018/2019financial year.

Management Response

1590. The error of casting and cross casting has been addressed via the thorough review of financial statements with corrected total revenue and total expenses of Ksh68c,326,803 and ksh67,323,663 respectively.

1591. This was a typographical error resulting to mismatch between amount of KSh42,556,206 in statement of financial performance. and Ksh41,232,505 in note 22.

1592. The management currently ensures amounts in the notes match correctly with amounts in financial statements.

1593. The management noted differences in comparative balances of rental revenue from facilities and equipment of Kshs. 510,000, other income of nil balance, use of goods and services of Kshs 935,806 and employee costs Kshs. 4,371,056, which differ with balances of Kshs. 980,000, Kshs.532,806, Kshs.52,944,265 and Kshs.9,822,290 respectively was caused as a result of incapacity in reporting (thus not aligning notes to financial statements) due to insufficiency in finance personnel and has since employed a Finance Officer.

1594. Further, the management conducted a thorough review and amended the financial statements appropriately.

1595. The management notes there was typographical error in that amounts in statement of financial performance of Ksh.680,641 and Ksh.488,500 for repairs & maintenance and grants and subsidies respectively were not matched to respective notes 19 and 22 as ought be the case.

1596. In subsequent reports the management has ensured the statement and the notes align correctly.

1597. The management notes there was typographical error in that amounts for contracted services in the statement of financial performance of Ksh453,600 which didn't match with respective note 20 of Ksh303,600 for year 2019/2020 and Ksh488,500 for year 2018/2019.

1598. As demonstrated in amended and in subsequent reports, the management has ensured the statements and the notes align correctly.

Committee Observation

1599. The Committee observed of the failure to comply with basic accounting principles and reporting standards, indicating severe operational weakness.

Committee Recommendation

1600. The Committee recommends that the Accounting Officer ensures that all future financial statements are subjected to a rigorous internal audit review and prepared in strict adherence to the Public Sector Accounting Standards Board (PSASB) template and IPSAS to eliminate "recasting" and "typographical" errors according to Section 68(2)(k) of the PFM Act, Cap. 412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B.

14.2.3 Statement of Financial Position

1601. The statement of financial position reflects total assets and total net assets and liabilities balances of Kshs. 377,854,127 and Kshs. 377,854,126 respectively

1602. However, a recasting of the amounts totals to Kshs.378,075,821 and Kshs.377,433,019 resulting to variances of Kshs. 221,694 and Kshs.421,107 which were not explained or supported. In addition,

no explanation was provided for the unbalanced statement of financial position.

1603. The statement of financial position reflects long term receivables from exchange transactions balance of Kshs. 350,228,860 in both the year under review and 2018/2019 while the disclosure Note 27 (b) reflects nil balances for both years.

1604. The statement reflects a balance of Kshs. 4,650,000 in respect to inventories while the disclosure Note 29 has a nil balance.

1605. The statement reflects trade and other payables from exchange transactions and refundable deposits from customers of Kshs. 1,564,155 and Kshs.500 respectively and refers to disclosures under Note 36 and note 37 which has nil balances.

1606. Notes reflected in the statement of financial position do not correspond to the respective disclosure Notes to the financial statements.

Management Responses

1607. Management regrets the total assets and total net assets and liabilities balances of Kshs.377,854,127

1608. And Kshs. 377,854,126 were not supported by PPE schedule hence figures hence unbalanced statement of financial position.

1609. To address this the management has provided updated PPE register supporting total assets and total net assets and liabilities balances of Kshs. 333,768,987 and Kshs. 354,240,390 respectively.

1610. With that, Management has provided a balanced statement of financial position.

1611. Management noted the error that the figure Kshs. 350,228,860 was wrongly picked as long-term receivables from exchange transactions. The correct figure of Ksh.1,324,061.00 relating to receivables from exchange transactions has been recorded.

1612. The management noted that the figure Kshs.4,650,000 relating to inventories was incorrectly inserted in the statement of financial position.

1613. The correct inventories figure of Ksh1,320,892.39 has now been rightfully inserted. 1618. The management notes the omission in ensuring note36 and all other respective notes match with the statement of financial position as ought to be the case.

1614. As demonstrated in the amended statement and in the subsequent periods the management has ensured figures in the notes match with figures in statements.

1615. Further, after a thorough review, the financial statements were appropriately amended 1621. Thus, the management has correctly adjusted in the financial statement's payables from

exchange transactions and refundable deposits from customers of Kshs.1,784,316.55 and Kshs.85,490 respectively.

1616. The management noted the non- compliance and has realigned the statement of financial position to the respective disclosure Notes.

Committee Observation

1617. The Committee is aware of multiple errors and resulting unexplained variances in the fundamental balances of the Statement of Financial Position clearly demonstrate negligence in financial reporting.

Committee Recommendation

1618. The Committee recommends that the Accounting Officer ensures the Fixed Asset Register is fully updated and reconciled with the financial statements to provide a fair presentation of the institution's assets and to support all balances reflected in the Statement of Financial Position according to Regulation 143(1) of the PFM (National Government) Regulations, 2015.

14.2.4 Statement of Cash Flows

1619. The statement of cash flows for the year ended 30th June, 2020 reflects cash and cash equivalents as of 1st July, 2019 balance of Kshs. 11,204,120 which differs with the balance of Kshs.11,079,069 reported in the 2018/2019 financial statements resulting to a variance of Kshs.125,051.

Management Responses

1620. Management noted the mistake committed while transferring the closing year balances in the statement of cashflows.

1621. Further, the management has generated a Corrected cashflow statement showing Cash and cash equivalents for year 2018/19 of Ksh12,475,606.

Committee Observation

1622. The Committee observed the clerical mistake in carrying forward balances was noted but subsequently corrected by the management.

Committee Recommendation

1623. The Committee recommends that the accounting officer must ensure strict internal review mechanisms are implemented to catch and correct clerical errors before financial statements are submitted for audit.

14.2.5 Statement of Comparison of Budget

1624. The statement of comparison of the budget and actual amounts when counterchecked against the

approved budget revealed inaccuracies. Further, it does not include explanations for variances exceeding 10% as required and includes guidance notes which ought to be deleted.

Management Response

1625. The management has provided explanations for variances exceeding 10% as required. 1632. The management commits to adhere to guidelines as required.

Committee Observation

1626. The Committee observed that the resolution of the issue by providing explanations for budget variances exceeding 10% resolves the compliance requirement.

Committee Recommendation

1627. The Committee recommends that the accounting officer must adhere fully to the PFM Act guidelines requiring comprehensive explanations for all significant budget variances to maintain transparency.

14.2.6 Misstated Transfers from National Government

1628. As disclosed under Note 6, the financial statements and reflected in the statement of financial performance for the year ended 30th June 2020 is transfers from the National Government- grants of Kshs.53,538,491. However, a transfer amount of Kshs. 55,725,928 was obtained from analysis of the bank statements presented for audit resulting to unreconciled variance of Kshs.2,187,437.

Managements Response

1629. The management submitted that Kshs. 55,725,928 was erroneous entry. Transfers from national government of KSh53,532,311 were received and receipted.

Committee Observation

1630. The Committee observed that the management identified and corrected the erroneous entry regarding transfers from the National Government, resolving the reconciliation variance.

Committee Recommendation

1631. The Committee recommends that the accounting officer must exercise due diligence in recording and reporting transfers to ensure financial statements reflect accurate receipts supported by documentation.

14.2.7 Cash and Cash Equivalents

1632. The statement of financial position reflects cash and cash equivalents balance of Kshs.22,125,758 as of 30th June, 2020 and a comparative balance of Kshs. 11,079,068 while the corresponding disclosure Note 26 to the financial statements on detailed analysis of cash and cash equivalents

reflects a total of Kshs. 21,913,752 and Kshs.11,802,713 respectively resulting to variances of Kshs. 212,006 and Kshs. 723,645.

1633. In addition, Note 25 of the financial statements discloses cash and cash equivalent balances of Kshs.810,039 and Kshs.11,204,120 respectively, which varies with the balances reflected under Note 26, on detailed analysis of cash and cash equivalents.

1634. Further, Management did not provide monthly bank reconciliation statements as provided under section 90 (1) of the PFM (National Government) Regulations, 2015 which stipulates that bank reconciliation statements must be prepared not later than the 10th day of the subsequent month.

Managements Response

1635. Management noted the figures KSh22,125,758, and Kshs. 11,079,068 and both figures Kshs. 21,913,752 and Kshs.11,802,713 of corresponding disclosure note 26 were erroneous.

1636. Management, supported by a bank reconciliation statement, confirmed that the Statement of financial position that show correct cash and cash equivalents balances of Kshs.26,045,381.26 and Ksh12,475,603.66 for years 2019/20 and 2028/19 respectively.

1637. The financial statements and the respective disclosure notes have now been correctly aligned.

1638. Management has provided bank reconciliation statements.

Committee Observation

1639. The Committee observed that multiple variances and the initial failure to provide bank reconciliation statements, coupled with acknowledged capacity issues, demonstrate a weak internal control environment.

Committee Recommendation

1640. The Committee recommends that the accounting officer must at all times ensure the provision of accurate records and supporting documents on time according to Section 9 (1) (e) of the Public Audit Act, Cap. 412B and Section 68(2)(b) of the PFM Act, cap. 412A.

14.2.8 Property, Plant and Equipment

1641. The property plant and equipment schedule under Note 31 reflects nil additions during the year. However, scrutiny of payment vouchers provided for audit revealed that an amount of Kshs.1,240,340 was incurred in acquisition of non-current assets which have not been included as additions during the year.

1642. The assets register presented for audit showed assets totaling Kshs.32,610,025 which varies with the balance reflected in the statement of financial position of Kshs.

350,228,860 resulting to a variance of Kshs. 317,618,835 occasioned by omission of the value for land and buildings from the register

1643. The statement of financial performance reflects a nil depreciation for the year, while the comparative depreciation, and amortization expense amount of Kshs. 6,286,725. However, the disclosure Note 18 reflects a nil balance in both years.

1644. Further, note 31 on PPE reflects depreciation for the year amount of Kshs.6,286,725 which has not been included as part of expenses in the statement of financial performance.

Management's Responses

1645. This was an omission. The management has provided updated PPE register showing additions of Ksh17,354,000.

1646. The management regrets the omissions of the value of land, and adjustments have now been made as in PPE register.

1647. The management noted the errors in the figure Ksh. 6,286,725, as well as the failure to transfer depreciation amounts from the notes to the statements statement of financial performance during the year and in comparative periods.

1648. To correct this, the management has computed and transferred a depreciation of Ksh. 9,657,087.25 as part of expenses in the statement of financial performance, indicated in the PPE movement.

Committee Observation

1649. The Committee observed that significant errors in PPE recording were resolved via updated registers and calculation corrections.

14.2.9 Over-Expenditure on Hiring Facilities Charges

1650. Note 22 of the financial statements includes expenditure of Kshs. 4,276,352 on hire of facilities charges. However, the approved budget for hire of facilities was Kshs. 110,000 resulting in an over- expenditure of Kshs. 4,166,352 for which no authority was provided. Further, procurement records for the hire of facilities were not provided and there was no confirmation that the services were delivered.

Managements Response

1651. The management highlighted that the budgeted amount was highly understated owing to covid-19 effect on performance.

1652. However quicker Post covid recovery led to increased conference revenues and hence the higher related cost of Kshs. 4,166,352.

Committee Observation

1653. The Committee observed that the variance related to accommodations and expenses was explained by external economic factors (COVID recovery).

Committee Recommendation

1654. The Committee recommends that the accounting officer must ensure that adequate documentation supports all variable costs related to non-core activities to ensure proper accountability.

14.2.10 Lack of Accountability of Travel Imprests

1655. Note 15 to the financial statements reflects expenditure on accommodation of Kshs.1,286,975 which was all paid for through cash. Further, no imprest warrants were issued and amounts advanced were not accounted for with relevant documentation such as; work tickets, fuel receipts and back to office reports. In addition, no imprest register was maintained to provide accountability over imprests. This is contrary to provisions of section 93 of PFM (National Government) Regulations, 2015 on Management of

temporary imprest.

Management Response

1656. The Kshs.1,286,975 has been supported with imprest warrants and payment vouchers.

Committee Observation

1657. The Committee observed that lack of accountability was resolved by subsequent documentation.

Committee Recommendation

1658. The Committee recommends to comply strictly with Regulation 93 of PFM (National Government) Regulations, 2015, regarding the issuance, documentation, and surrender of temporary imprests

14.2.11 Irregular Expenditure on TVET Fair and Robotic Contests

1659. Statement of financial performance for the year ended 30th June 2020 reflects general expenses of Kshs. 41,556,206. The expenditure includes an amount of Kshs.535,554 which was incurred on TVET fair and robotic contests. However, payment vouchers provided in support of the expenditure were not approved by the principal and did not include attendance registers to validate the expenditure.

Management Response

1660. The management submits that this was an exceptional mistake/ error and has thus ensured that, as it is the procedure, all payment vouchers will always be approved before any payment is made, and as a result the voucher got supported, validated and ratified.

1661. However, the event organizers had not permitted taking of photos of attendance registers, citing the Data Protection Act.

Committee Observation

1662. The Committee observed that maintaining high standards in complex accounting functions, such as those governed by International Public Sector Accounting Standards (IPSAS), requires sustained capacity development.

Committee Recommendation

1663. The Committee recommends the accounting officer to dedicate resources to implementing robust internal quality assurance mechanisms to guarantee the accuracy and compliance of all financial submissions.

14.2.12 Presentation and Disclosure in The Financial Statements

1664. Corporate governance statement did not include the required information on succession plan, existence of a board charter, process of removal of council members, induction and training, board and member performance, conflict of interest and ethics, and conduct key entity information and management report under key fiduciary management indicates the year reported as 2019 instead of 2020.

1665. Key entity information and management report under key fiduciary management indicates the year reported as 2019 instead of 2020.

1666. Management discussion and analysis report did not include; tables, graphs, pie charts and other descriptive tools to make the information more understandable.

1667. Statement of Board of Governors is not signed by the corporate secretary on page xvii. 1676. Further, the report includes reference to certified public accountants nominated by the Auditor General to carry out the audit of MTIB for the year/period ended 30th June, 2017 which is an incorrect statement of Board of Governors responsibilities. In addition, page xix has retained information meant for guidance on legislation under which the entity is regulated.

1668. Financial statements do not include information of the name of the institute and the year to which the report relates on the header from page iii to xix.

1669. Statement of changes in net assets on page 3 is not presented in the format prescribed by the Board. Page 10 indicates that the entity is exempt from payment of taxes but refers to the relevant legislation as 'xxx'.

1670. Subsequent events under page 17 indicates the years' end as 30th June 2019. 1681. Information on provisions on page 18 refers to disclosure note 'xxx'.

1671. The progress on follow up of auditor recommendations on page 45 and inter entity transfers have not been signed by the head of the entity.

1672. Notes/information given for guidance purposes in the prescribed reporting template has been retained across the financial statement and ought to be removed.

1673. Note 6 to 17 to the financial statements reflects the comparative year as 2019-2020 or 2018-2020 or 20xx-20xx instead of 2018-2019.

1674. The statement of financial position indicates the PPE disclosure as Note 33 instead of Note 31.

1675. PPE schedule under Note 31 wrongly reflects the net book values as of 30th June, 2019 instead of reporting the year ended 30th June,2020.

Management Response

1676. The management noted the non- compliance and has committed to adhere fully with the guidelines. As part of compliance audit, the internal auditor will assist to review the financial statements to ensure such non-compliance issues do not rise again.

1677. The management noted the error. Currently the year is correctly indicated as 2020. 1689. The management regrets the non- compliance.

1678. In the adjusted financial statements, management has incorporated tables, graphs, pie charts and other descriptive tools.

1679. The management noted the non- compliance and has committed to adhere fully with the guidelines.

1680. This has also been corrected in the subsequent financial statements.

1681. The management noted the non- compliance and has corrected in the adjusted statements, and has committed to adhere fully with the guidelines.

1682. The management noted the error, and has taken corrective action in the adjusted financial statements, and in the subsequent reports.

1683. The management noted the error, and has made correction in the adjusted financial statements, and in the subsequent reports.

1684. The management noted the error and has corrected in the adjusted and subsequent financial statements.

1685. This error has been corrected in the adjusted and in the subsequent financial statements. 1698. This

error has been corrected in the adjusted and in the subsequent financial statements. 1699. The management noted the non- compliance and has amended it in the adjusted and subsequent financial statements.

1686. The management noted the error and has amended it in the adjusted and subsequent financial statements.

1687. The management noted the error and has corrected it in the subsequent financial statements.

1688. The management noted the error and has committed to be guided by the revised and approved reporting template.

1689. The management noted and corrected the typo error and has committed to avoid such errors in preparation of the subsequent financial statements.

Committee Observation

1690. The Committee observed that this is a common hurdle when dealing with detailed financial compliance to submission.

Committee Recommendation

1691. The Committee recommends that the Accounting Officer ensures all future financial statements are subjected to a rigorous review by the Internal Audit Unit for arithmetic accuracy and full compliance with the Public Sector Accounting Standards Board (PSASB) template and IPSAS before they are submitted to the Auditor-General according to Section 68(2)(k) of the PFM Act, Cap. 412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B

14.2.13 Lack of Accountability Over Travel Imprests

1692. Note 15 to the financial statements reflects expenditure on accommodation of Kshs.1,286,975 which was all paid for through cash. Further, no imprest warrants were issued and amounts advanced were not accounted for with relevant documentation such as; work tickets, fuel receipts and back to office reports. In addition, no imprest register was maintained to provide accountability over imprests. This is contrary to provisions of section 93 of PFM (National Government) Regulations, 2015 on Management of temporary imprest.

Management's Response

1693. The management has supported Kshs.1,286,975 with imprests and payment vouchers.

Committee Observation

1694. The Committee observed that the repetition of this query indicates persistent negligence in the enforcement of internal controls regarding imprest management.

Committee Recommendation

1695. The Committee recommends that the accounting officer must strictly follow Section 93 of the Public Finance Management (PFM) Regulations, 2015, concerning the handling of temporary cash advances (imprests).

14.2.14 Late Submission of Financial Statements

1696. The Institute Management submitted financial statements for the year ended 30th June 2020 on 19th November, 2020 which was more than three months after the end of the financial year. This is contrary to the provisions of section 68 (1) k of the PFM Act, Cap. 412A which requires the accounting officers to prepare financial statements to the Auditor- general not later than three months after the end of the financial year.

Management Response

1697. The management noted and regrets the non-compliance. As demonstrated, the management is currently submitting reports on time as per requirement.

Committee Observation

1698. The Committee notes that the submission of financial statements over three months late constitutes a statutory breach of Section 68(1)(k) of the PFM Act, Cap. 412A.

Committee Recommendation

1699. The Committee recommends that the Accounting Officer is in breach of Section 68(1)(k) of the PFM Act, Cap. 412A, and mandates adherence to the three-month statutory deadline henceforth.

14.2.15 Irregular Procurement of Tuition Material Expenses

1700. Disclosed in Note 22 to the financial statements is tuition material expenditure of Kshs. 3,806,340. However, scrutiny of the payment vouchers presented in support of the expenditure revealed that all purchases were transacted through cash and only manual receipts were attached as a support without ETR receipts. In addition, the amounts involved were above the threshold for low value procurement as stipulated in the schedule to the PPADA, Cap. 412C.

Managements Response

1701. The expenditure of Kshs.3,806,340 relates to various items of purchase under the vote head "tuition material". Hence each item of purchase was independently beneath the low value threshold of Ksh50,000.

1702. However, the management notes the non-use of ETR receipts and has committed to ensure compliance on ETR receipts.

Committee Observation

1703. The Committee observes that the practice of high-volume cash procurement, combined with the lack of mandatory ETR receipts, demonstrates a compromise of accountability and tax compliance.

Committee Recommendation

1704. The Committee recommends that the accounting officer must ensure that all procurements are consolidated to reflect their true value and processed through competitive bidding or from prequalified suppliers, with all payments made through traceable bank transfers and supported by valid ETR receipts according to Section 106 (2) of the Public Procurement and Asset Disposal Act, Cap. 412C and Regulation 99(3) of the PFM (National Government) Regulations, 2015.

14.2.16 Irregular Procurement of Boarding Facilities

1705. Disclosed in Note 15 to the financial statements is expenditure of Kshs. 4,732,275 in respect of boarding facilities. However, a review of the procurement documents presented for audit revealed that no competitive bidding was done and it was therefore not clear how the suppliers were identified.

Management Response

1706. This was mostly foodstuffs and the move was occasioned by shortages caused by lockdowns during the covid-19 pandemic.

1707. Immediately after the lockdown the management reverted back to competitive bidding.

Committee Observation

1708. The Committee observes that the irregularity in competitive bidding was satisfactorily explained as resulting from the exceptional circumstances of the COVID-19 pandemic and subsequent lockdowns.

14.2.17 Irregular Payment of Contracted Services

1709. The statement of financial performance for the year ended 30th June, 2020 and Note 20 of the financial statements reflects contracted services payments of Kshs. 453,600 which relates to payments made to lecturers who were recruited to offer part-time teaching on temporary basis. However, a review of the lecturers' recruitment records revealed that the lecturers had not signed their appointment letters for acceptance of the terms of engagement. Further, no documents were provided to confirm the existing gaps that necessitated hiring of part- time lecturers as well as details of lessons taught.

Management Response

1710. The management has provided request from hire from Hods, training gaps, fully signed appointment letters.

Committee Observation

1711. The Committee observed of the provision of the required documents, including signed appointment letters and rationale for hiring thus resolves the audit query.

14.2.18 Irregular Procurement of Financial Management System

1712. Note 22 to the financials includes an expenditure on financial management system of Kshs. 650,000. The expenditure represents part- payment for installation of the Enterprise Resource Planning System (ERP) at a contract sum of Kshs.4,650,000, whose contract for installation was awarded on 8th July, 2019. However, a review of the procurement process revealed that the vendor was identified through use of quotations method of procurement despite the amount involved being above the threshold for quotations.

Managements Response

1713. The management submits that the institute advertised the tender for provision of ERP software in the institute website under the tender Name: Provision of consultancy services (ERP Software), Tender No:24/2018-2020.

1714. Only one tenderer applied for the tender. The institute took the tenderer through the procurement processes as required by the law, the tenderer passed both technical and financial evaluation criteria and was awarded the tender.

1715. Therefore, the procurement of the ERP Software met the threshold of section 96 (2) of PPADA 2015 for use of Open Tendering which stipulates that if the estimated value of the goods, works or services being procured is equal to, or more than the prescribed threshold for county, national and international advertising, the procuring entity shall advertise in the dedicated government tenders' portals or in its own website, or a notice in at least two daily newspapers of nationwide circulation.

Committee Observation

1716. The Committee observed that the issue was resolved as the Auditor General was satisfied with the Management Responses having verified necessary documentations.

14.2.19 Irregular Procurement of Electric Materials

1717. Disclosed in Note 19 to the financial statements and reflected in the statement of financial performance for the year ended 30th June 2020 is Kshs. 1,792,522 in respect of repairs and

maintenance. This balance includes an amount of Kshs. 522,550 which was paid to a local company for supply of electrical materials. However, a review of the procurement records revealed that the company was not in the list of registered suppliers of electrical appliances.

Management Response

1718. The vendor was prequalified. Evidence provided in support is a prequalification report.

Committee Observation

1719. The Committee observed of the submission of the prequalification report confirming the vendor's eligibility resolves the perceived irregularity.

Committee Recommendation

1720. The Committee recommends that the accounting officer must ensure compliance with Section 68(2)(b) of the PFM Act, cap. 412A by promptly providing all supporting documentation during the audit process.

14.2.20 Lack of Approved Scheme of Service

1721. The statement of financial performance and Note 16 to the financial statements reflects Kshs. 12,928,012 in respect to employee costs. An analysis of the institute's human resource function, revealed that the Institute has employed a total of twenty- two (22) members of staff but did not have an approved staff establishment and scheme of service for effective operations of personnel functions including recruitment, job descriptions, placements, remuneration and promotion. In addition, staff members had stagnated in same job position with no salary increment.

Management Response

1722. The management has since developed and approved a scheme of service for BOG.

Committee Observation

1723. The Committee notes of the development and approval of a scheme of service for the BOG staff resolves this compliance failure.

Committee Recommendation

1724. The Committee recommends that the Accounting Officer must ensure the scheme of service is effectively implemented to address the reported stagnation of staff members.

14.2.21 Lack of Internal Audit Function

1725. The institute does not have in place an Internal Audit Function and Audit Committee contrary to the provisions of section 73 (1) of the PFM Act, Cap. 412A which requires that every public entity to have arrangement in place for internal audit function for the purpose of carrying out in depth

reviews of management operations and internal controls.

Management Response

1726. The management has employed an internal auditor and set up an internal audit function and committee.

Committee Observation

1727. The Committee notes that the employment of an internal auditor and the setup of the internal audit function and committee resolve this statutory breach.

14.2.22 Lack of Risk Management Policy and Disaster Recovery and Business Continuity Plan

1728. The Institute does not have an approved Risk Management Policy and Disaster Recovery and Business Continuity Plan. This is contrary to the provisions of Regulation 165 (a) and (b) of the PFM (National Government) Regulations, 2015, which requires the accounting officer to ensure that the entity develops risk management strategies, which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operation.

Management Response

1729. The management submits the following policies developed and approved: -

i. Risk Management Policy

ii. ICT Policy with disaster recovery plan on page 59.

Committee Observation

1730. The Committee observed that the management has made excellent progress by developing and approving the Risk Management Policy and an ICT Policy that incorporates a disaster recovery plan.

Committee Recommendation

1731. The Committee recommends that the Accounting Officer ensures that the developed Risk Management Policy and ICT Disaster Recovery Plan are not only approved but are also subjected to annual reviews and periodic testing to build robust, continuous business operations according to Regulation 165 (1) (a) and (b) of the PFM (National Government) Regulations, 2015. Further, the Accounting Officer must ensure that the Audit Committee remains active to oversee the implementation of these risk strategies according to Section 73 (5) of the PFM Act, Cap.412A.

14.2.23 Presentation and Disclosures in the Financial Statements

1732. The report of Board of Governors on page xix erroneously indicates XYZ CPA as the auditors nominated by the Auditor General. In addition, the report does not disclose the pages where results

for the year are set out in the financial statements and are also not signed by the Board Secretary as required.

1733. The statement of changes in net assets indicates the year of 20xx against the closing balances instead of 2021. In addition, entries with Nil balances have been included after the 2021 totals. Further, the total balances in the statement of changes in equity could not be traced to the statement of financial position as required.

1734. Note 6 (a) to the financial statements erroneously reflects financial years as 20xx-20xx.The statement of cash flows is incomplete as it does not include disclosure notes against various balances therein.

1735. The report of the principal on page xii under performance disclosures total Appropriation in Aid (AIA) collection balance of Kshs. 20,856,670 while the financial statements presented for audit indicated amounts of Kshs. 20,856,670 resulting to a variance of Kshs.16,650.

1736. The statement does not include explanations for performance variances exceeding the established thresholds.

Management Response

1737. Management noted the error and correctly states the auditors, both in amended and subsequent financial statements. Currently, pages where results for the year are set out are being disclosed, and signed by the board secretary.

1738. Management noted there were gaps in reporting. Currently management ensures the year is correctly indicated instead of the 20xx.

1739. Further the management ensures that totals in statement of changes in equity agree and are traceable to statement of financial position as requires.

1740. Management noted and corrected the error, ensuring proper year reporting in the amended and subsequent years financial statements.

1741. Management noted and now includes disclosure notes as required.

1742. Management notes the audit observation states total Appropriation In Aid (AIA) as Kshs. 20,856,670 that financial statements presented for audit indicated Kshs. 20,856,670. These amounts are the same, hence no variance could have arose.

1743. Management notes the omission, in the amended and subsequent statements management includes explanations for budget performance difference exceeding 10%.

Committee Observation

1744. The Committee observed that there is a systemic lack of due diligence and professional care in the preparation of financial statements across multiple institutions, resulting in "typing errors," incorrect year notations (such as "20xx"), and a failure to align disclosure notes with primary statements.

Committee Recommendation

1745. The Committee recommends that the Accounting Officer ensures that all future financial statements are subjected to a rigorous internal review by the internal audit unit for accuracy and full compliance with International Public Sector Accounting Standards (IPSAS) and the PSASB template before submission to the Auditor General according to Section 68(2)(k) of the PFM Act, Cap. 412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B. Further, the Accounting Officer must ensure that the Board Secretary signs all official reports to authenticate the results according to the Second Schedule of the TVET Act, Cap. 210A.

14.2.24 Statement of Financial Statement

1746. Statement of financial position reflects total assets of Kshs. 348,628,604 and total net assets and liabilities of nil leading to a variance of Kshs. 348,628,604. In addition, the statement indicates nil balances against capital fund and accumulated surplus whereas the statement of changes in net assets indicate Kshs.3,466,667 and Kshs. 54,760,547 for the two components respectively.

1747. The statement of financial position reflects a nil balance for current portion of receivables from exchange transfers while Note 27 (a) reflects Kshs. 1,068,250 resulting to unexplained variance of Kshs. 1,068,250.

1748. Similarly, the statement of financial position reflects nil balances for long-term receivables from exchange transactions for both the years. However, the disclosure Note 27(b) indicates balances of Kshs. 334,100 resulting to unexplained variance of Kshs. 334,100.

1749. The statement of financial position indicates PPE balance of Kshs. 344,907,786 while the disclosure under Note 31 has a net book value of Kshs.355,240,684 resulting to unexplained variance of Kshs. 10,332,898.

1750. Further, note 31 to the financial statements reflects a balance of Kshs. 8,365,939 as additions to buildings while the supporting documents had a total of Kshs. 8,995,670 resulting to a variance of Kshs. 629,739. Also, the additions were in respect to an ongoing construction project for a dining hall which should have been classified as works in progress.

1751. The PPE includes a balance of Kshs. 2,371,420 as additions to furniture and fittings during the year

which was not supported with documents.

1752. Further, the fixed assets register was not updated.

1753. The statement of financial position reflects a cash and cash equivalents comparative balance of Kshs. 22,175,758 which differs from the Kshs. 22,125,758 reflected in the audited financial statements for the previous year resulting to an unexplained variance of Kshs. 50,000.

Management Response

1754. Management noted a reporting anomaly in the financial statements and amended appropriately. The previously reported total assets of Ksh 348,628,604 and total net assets and liabilities of Nil were correctly adjusted to reflect Kshs. 351,508,127.

1755. Additionally, the previously unreported balances for Capital Fund and Accumulated Surplus, both initially stated as Nil, were corrected to Kshs. 394,117,945 and Kshs. (42,609,818) respectively.

1756. Accordingly, the Statement of Changes in Net Assets was amended to reflect the accurate balances — Capital Fund of Kshs. 394,117,945 and Accumulated Surplus of Kshs. (42,609,818) replacing the erroneously reported figures of Kshs. 3,466,667 and Kshs. 54,760,547.

1757. Management has amended the Statement of financial position and supported the current portion of receivables from exchange transactions.

1758. Note 27 (a) and (b) mismatched due to typographical error while transferring data to the word reporting template. Currently, the management has ensured notes correspond to the amened statement of financial position and subsequent years.

1759. Management noted the PPE balance of Kshs. 344,907,786 had not been backed by PPE register hence prone to error.

1760. Management therefore updated the PPE register and reported PPE balance of Kshs. 337,847,56.

1761. Management has updated PPE register with additions to furniture correctly reported as Kshs. 460,000,

1762. Management has provided an amended statement of financial position showing comparative cash and cash equivalent of Kshs. 26,045,38 supported with bank reconciliation statement and bank statements.

1763. Statement of Financial Performance was duly provided.

Committee Observation

1764. The Committee observed that the institution submitted financial statements with fundamental

errors, including a total failure to balance the Statement of Financial Position, misclassification of capital projects, and major discrepancies between primary statements and disclosure notes.

14.2.25 Statement of performance

1765. The statement of financial performance reflects a balance of Kshs. 40,093,879 in respects to use of goods and services while Note 15 to the financial statements reflects a total of Kshs. 39,171,350 resulting to an unexplained variance of Kshs. 922,526. Further, the statement indicates a comparative balance of Kshs. 42,794,613 for use of goods and services which differs with the amount of Kshs. 41,814,885 reflected in Note 15 to the financial statements resulting to unexplained variance of Kshs. 979,728.

1766. The statement of financial performance reflects a Nil comparative balance for depreciation and amortization expenses whereas the disclosure given under Note 18 indicates a balance of Kshs.6,286,725 resulting to unexplained variance of Kshs. 6,286,725.

1767. The statement of financial performance reflects a comparative balance of Kshs.11,269,115 for rendering of services fees which differs with the amount of Kshs. 11,073,265 indicated in Note 10 as a comparative balance resulting to unexplained variance of Kshs.195,850.

Management Response

1768. Subject to a thorough review, management identified an anomaly in the previously reported figure of Kshs. 40,093,879 under use of goods and services. This has been adjusted to the correct amount of Kshs. 45,737,036

1769. Additionally, management noted and amended mismatch errors in Note 15 and its comparative figures, where Kshs.39,171,350 and Kshs. 42,794,613 had been misreported. To address this, a corrected figure of Kshs. 45,334,766 has been appropriately reported in the adjusted Statement of Financial Performance. Hence no resultant variance after amendment.

1770. The management prepared a comprehensive Property, Plant, and Equipment (PPE) register, which had previously been omitted. This facilitated the accurate reporting of the comparative Depreciation and Amortization figure of Kshs. 9,657,087, correcting the earlier erroneous amount of Kshs. 6,286,725.

1771. Mismatch between comparative balance of Kshs. 11,269,115 for rendering of services fees with the amount of Kshs. 11,073,265 was a typographical error while transferring data to word template.

1772. Management is currently ensuring notes and financial statements match.

Committee Observation

1773. The Committee observed that the management identified and corrected calculation anomalies, typographical errors, and mismatches concerning use of goods and services figures and rendering of services fees.

Committee Recommendation

1774. The Committee recommends that the Accounting Officer ensures that all future financial statements are subjected to a rigorous internal review process by the internal audit unit and are prepared in strict adherence to the Public Sector Accounting Standards Board (PSASB) templates and IPSAS to eliminate "typographical" and "recasting" errors according to Section 68(2)(b) and (k) of the PFM Act, Cap. 412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B.

14.2.26 Statement of Cash Flows

1775. The statement of Cash flows reflects 'xxx' entries against net cash flows from financing activities, increase/decrease in cash and cash equivalents, opening and closing cash and cash equivalents balance instead of the actual balances.

The statement further indicates a balance of Kshs. 49,908,709 in respect to use of goods and services which differs from the Kshs. 40,093,876 disclosed in the statement of financial performance resulting to unexplained variance of kshs.9,814,833.

Management Response

1776. Management has noted the error and made the correct entries showing net cash flows from financing activities of Kshs. 0.00, increase/decrease in cash and cash equivalents of Kshs. 22,957,617.02, opening and closing cash and cash equivalents of Kshs. 26,045,381.26.

1777. The management noted the erroneous figures and adjusted to the correct use of goods and services figures of Kshs. 45,737,036 in the adjusted statement of financial performance.

Committee Observation

1778. The Committee observed that the team successfully completed the necessary adjustments, ensuring all placeholder entries were replaced with the accurate cash flow figures. Management must ensure all mandatory fields are accurately populated to guarantee the completeness of cash flow disclosures.

Committee Recommendation

1779. The Committee recommends that the Accounting Officer ensures that all components of the financial statements are fully completed with accurate data and cross-reconciled to eliminate all

discrepancies between the Statement of Cash Flows and other primary statements before submission to the Auditor-General according to Section 68(2)(k) of the PFM Act, Cap.412A and Section 9(1)(e) of the Public Audit Act, Cap. 412B

14.2.27 Statement of Comparison of Budget & Actual Amounts

1780. Re-computation of the statement of comparison of budgets and actual amounts for the year reflects a performance difference of Kshs. 557,091 for transfers from other Government entities instead of Kshs. 24,557,091. In addition, re-computation of total income indicates a performance difference of Kshs 894,071 instead of Kshs. 20,894,071.

Management Response

1781. The management submits that this was a typo error (left the first two numbers) and this omission has been rectified.

Committee Observation

1782. The Committee observed the prompt identification and correction of these errors restored confidence in the calculations of the budget implementation results.

14.2.28 Variances Between Financial Statements and Supporting Ledgers

1783. Comparison of Financial statements with ledgers supporting the transactions revealed variances as detailed out in Appendix 1. In addition, no trial balance was provided to support the balances in the financial statements.

Management Response

1784. The management has now provided a Trial balance with supported balances with no variances realized.

Committee Observation

1785. The Committee observes that the management successfully resolved this matter by providing the necessary trial balance, which demonstrated that the reported balances are now fully supported and accurate.

14.2.29 Misstatement of Revenue

1786. The statement of financial performance reflects an income of Kshs. 63,952,749 in respect to total revenue realized during the year. However, the following anomalies were noted during the audit:

i. The supporting revenue ledger had a total of Kshs. 56,952,749 resulting to unexplained variance of Kshs. 7,011,674.

ii. The total income includes the amount of Kshs. 11,367,361 for rendering of services to

students, which was actual amounts collected from students excluding total amounts billed for the year, which should have been recognized as revenue in accordance with accrual basis of accounting.

Management Response

1787. The management noted the erroneous figure of Kshs. 56,952,749 and amended the total revenue figure to Kshs. 57,548,546 in the statement of financial performance.

1788. The management has adopted accrual basis of accounting in the adjusted and subsequent financial statements.

Committee Observation

1789. The Committee observed that the management corrected the erroneous total revenue figures and successfully adopted the accrual basis of accounting for subsequent financial reporting.

14.2.30 Unsupported Employee Costs

1790. The statement of financial performance and the corresponding Note 16 of the financial statements reflects employee costs of Kshs. 9,275,234. This figure includes salaries and wages of Kshs. 4,242,184, out of which an amount of Kshs. 163,728 and another expense of Kshs. 50,000 paid to a staff member were not supported with relevant documents such as letters of appointments of staff and acknowledgement of receipts of wages by casual workers.

Management Response

1791. The figure of Kshs. 50,000 was in relation to internal auditor's two months' salary of Kshs. 25,000 each month. This payment is supported by the staff member's appointment letter. In addition, Kshs.163,728 was paid to casuals via the bank with a corresponding payment schedule provided.

1792. The Management noted and corrected errors of commission and cutoff procedures that resulted to overstated salaries figure of Kshs. 9,275,234 for the period. Also, management has adjusted the correct salaries of Kshs. 5,186,064.

Committee Observation

1793. The Committee observed that the management successfully clarified and corrected the initial variances related to employee costs.

14.2.31 Anomalies in Use of Goods and Services

1794. Expenditure on use of goods and services is Kshs. 39,171,350.

i. The expenditure includes boarding expenses of Kshs. 4,193,396 out of

which Kshs. 1,453,465 was not supported with documents to confirm the procurement process was competitive.

1795. The expenditure includes training and conference expenses of Kshs. 1,371,800 out of which Kshs. 520,300 was not supported with documents to confirm attendance of trainings by the concerned employees.

1796. The expenditure includes an amount of Kshs. 1,790,102 in respect to administration costs, which was not supported by procurement documents and payment vouchers. Further, admin costs included purchases worth Kshs. 648,870 which were paid for in cash despite being above the low value procurement threshold.

1797. Expenditures of Kshs. 613,100 and Kshs. 309,426 on electricity and water respectively were included in use of goods and services which were not supported with water and electricity bills and invoices.

1798. Included in use of goods and services is expenditure of Kshs. 2,187,075 incurred in respect to face masks. However, the ledger and payment vouchers provided in support of the expenditure had a total of Kshs. 261,989 resulting to unexplained variance of Kshs. 1,925,986.

1799. Included in use of goods and services is expenditure of Kshs.2,459,250 on Covid- 19 mitigation measures out of which only Kshs. 959,480 was supported leading to unsupported expenditure of Kshs. 1,499,770.

1800. The use of goods and services includes expenditure of Kshs. 1,293,850 on food court construction and equipping expenses. However, payment vouchers presented for audit totaled Kshs. 1,187,420 resulting to unexplained variance of Kshs.106,430.

1801. In addition, the project had a Kshs. 950,000 budget during the year resulting to unexplained over-expenditure of Kshs. 343,850. Further, the expenditure is capital in nature and should have been accounted for as additions to non-current assets.

1802. Included in the amounts of Kshs. 824,000 and Kshs. 690,290 is HELB and Bursary granted to students respectively. However, the two do not represent expenditure but income to the Institute.

1803. Included in use of goods and services is Kshs. 96,900 and Kshs. 114,581 in respect to NHIF and PAYE respectively which represent remittances of amounts deducted from staff salaries and should not have been accounted for as expenditure.

1804. During the year under review, the institute spent amounts of Kshs.535,500 and Kshs. 1,498,420 in

respect to student seats and metallic double-decker beds respectively which were charged under boarding expenses. However, no supporting documents were provided for the expenditure.

Management Response

1805. Management has submitted supports for boarding expenses of Kshs. 1,453,465.

1806. Management has submitted supports training and conference expenses of Kshs. 520,300. 1827. Management has submitted supports for administration costs of Kshs.1,790,102, alongside quotations and evaluations.

1807. Purchases worth Kshs. 648,870 were cumulatively for various items under admin cost vote head purchased over one year, yet each item of purchase didn't pass the Ksh50,000 low-value threshold.

1808. Management has submitted supports for electricity costs of Kshs. 613,100 and water costs of Kshs. 309,426.

1809. Management has submitted supports for face mask costs of Kshs. 1,925,986.

1810. Management has submitted supports for covid 19 mitigation measures costs of Kshs.1,499,770. Management has submitted supports for face mask costs of Kshs. 106,430.

1811. Management had budgeted for the IGA, however there was an upsurge in the numbers of clientele thus pushing up the respective expenditure as well as the revenue, causing the over expenditure of Kshs. 343,850. The expenditure included inventories which were used in meals preparation for the guests.

1812. The management has adjusted the errors in the two components of HELB and Bursary in the adjusted and subsequent financial statements to remove it from the institutes' expenses. Currently management is ensuring components of revenue and expenditure are appropriately disclosed in financial reporting.

1813. Management noted salaries had been posted net of deductions, hence, the NHIF and PAYE components were booked separately to reconcile the gross salaries expense.

1814. Management noted the figures of Kshs.535,500 and Kshs.1,498,420 were misclassified as metallic seats and double decker beds expenses.

1815. The management has provided a supported figure of Kshs. 460,000 relating to student seats as reflected in the PPE register.

Committee Observation

1816. The Committee observed that there is a systemic failure in the institution's finance and procurement departments, characterized by the inability to maintain contemporaneous supporting documentation, the irregular use of cash to circumvent procurement laws, and fundamental accounting errors where income and statutory deductions are misclassified as expenditures.

14.2.32 Unsupported Repairs and Maintenance Expenses

1817. The statement of financial performance and corresponding Note 19 to the financial statements reflects repairs and maintenance expenses of Kshs. 1,802,635, out of which an amount of Kshs. 255,593 was not supported with relevant documents.

Management Response

1818. Management has submitted supports for repairs and maintenance of Kshs. 255,593.

Committee Observation

1819. The Committee observed the prompt provision of supporting documents for the previously unsupported repairs and maintenance expenditure, confirming the validity of the costs incurred.

14.2.33 Unexplained Variance in Contracted Services

1820. The statement of financial performance and corresponding Note 20 to the financial statements reflects contracted services amounts of Kshs. 726,000 which further includes the amount of Kshs. 408,000 for security services. However, the documents presented in support of security expenditure had a total of Kshs.441,067 resulting to unexplained variance of Kshs. 33,067.

Management Response

1821. Management has submitted supports for security services of Kshs. 33,067.

Committee Observation

1822. The Committee observed that the management's swift action in reconciling the variance of Kshs.33,067 related to contracted security services and providing the necessary supports, ensuring clarified financial records.

14.2.34 Cash and Bank Balances

1823. The statement of financial position and corresponding Note 26 to the financial statements reflects a balance of Kshs. 2,652,568 in respect to cash and cash equivalents, which includes a bank balance of Kshs. 2,649,017 and a cash balance of Kshs. 3,551. However, only one cashbook was maintained for two (2) bank accounts operated with closing balances of Kshs. 146,236 and Kshs. 2,520,210 respectively, both totaling Kshs. 2,666,446, resulting in an unexplained variance of Kshs. 17,429.

In addition, the cashbooks maintained were not balanced at the end of each month and monthly bank reconciliation statements were not prepared.

Management Response

1824. The cash and cash equivalent balances in note 26 of Kshs. 2,652,568 and Kshs. 2,649,017 had regrettably not been supported by bank reconciliation and were erroneous.

1825. Management has amended the anomaly by preparing bank reconciliations and reported amended and supported cash and cash equivalents of Kshs.3,087,764.

Committee Observation

1826. The Committee observed the successful reconciliation of cash and bank balances.

14.2.35 Trade and Other Payables

1827. The statement of financial position to the financial statements reflects trade and other payables from exchange transactions of Kshs. 383,830. However, Note 34 reflects a Nil balance resulting in an unexplained variance of Kshs. 383,830. In addition, no relevant supporting documents were provided for the balance in form of creditors' ledger and ageing analysis of individual creditors.

Management Response

1828. Management noted trade and other payables of Kshs. 383,830 had been erroneous and unsupported. Instead, a supported figure of Kshs. 832,178 has been submitted with creditors' ledger and ageing analysis of individual creditors.

Committee Observation

1829. The Committee observed of the corrective measures taken by management to address the original error in the reported payables balance and appreciates the subsequent provision of the creditors' ledger and aging analysis, enhancing financial transparency

14.2.36 Irregular Procurement of Car Shed and Tent

1830. The statement of financial performance and corresponding Note 15 to the financial statements reflects use of goods and services expenses of Kshs. 39,171,350 which include expenditure of Kshs. 960,924 on car shed and tents. However, management did not provide documents to indicate how the contractor was identified and the terms of the contract. Further, no inspection and acceptance committee report was provided to confirm that works were undertaken in accordance with specification. It was not possible to confirm if the contract was awarded in an open and competitive manner and the construction of the car shed and tent complied with the specifications.

Management Response

1831. The management presented the following documents to prove that the supplier was picked in a competitive process: -

i. Tender advertisement.

ii. Tender opening, Evaluation committee member's appointment.

iii. The Adhoc Evaluation commit following ee minutes.

iv. Tender Notifications

Committee Observation

1832. The Committee observes that the management successfully provided comprehensive documentation, including the tender advertisement and evaluation minutes, confirming that the procurement of the car shed and tents followed a competitive process.

14.2.37 Budgetary Control and Performance

1833. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to Kshs. 84,846,820 and Kshs. 63,952,749 respectively, resulting to an underfunding amounting to Kshs. 20,894,071 or 24% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs. 84,846,820 and Kshs. 62,807,578 respectively, resulting to an underperformance amount of Kshs. 22,039,242 or 26% of the budget.

Management Response

1834. Management noted the underperformance in budget which were caused by:

i. Reduction of capitation amount per student from Kshs 7,500 per quarter to Kshs. 4,000 (letter for reduction of capitation)

ii. Failure to receive the budgeted development grant (bank statement)

iii. Low trainee enrolment (budgeted no. of trainee's vs actual)

iv. Failure to get quarter 4 capitation fund

1835. To mitigate such shortfalls, management is currently upscaling on IGA to act as a buffer in supplementing unforeseen budget short falls.

Committee Observation

1836. The Committee observes the management's strategic commitment to upscaling Income Generating

Activities (IGA) as a proactive measure to supplement unforeseen budget shortfalls.

Committee Recommendation

1837. The Committee recommends sustaining efforts in developing diverse income streams and continually reviewing budgets quarterly through supplementary budgets to ensure alignment of financial realities with planned activities, optimizing institutional performance.

14.2.38 Unresolved Prior Year Issues

1838. In the audit report of the previous year, several matters were raised under the reports on financial statements, the report on lawfulness and effectiveness in the use of public resources and report on effectiveness of internal controls and risk management and governance.

1839. However, the management has not resolved the issues or explained its failure to report on the progress made in resolving the issue as prescribed in the reporting requirements PSASB.

Management Response

1840. The management regrets that matters raised by the OAG were not all resolved on time as should have been.

1841. However, as evidenced in our progress in various submissions herein, the management is committed to resolving all matters raised by the OAG.

Committee Observation

1842. The Committee observed that the management's renewed commitment to systematically addressing and resolving all outstanding audit matters raised by the office of the Auditor General.

14.2.39 Non-Compliance with Laws on Ethnic Composition

1843. Review of June 2021 payroll showed that the Institute had in its employment a total of twenty-two (22) non- teaching staff out of which fifteen (15), equivalent to 68% of the total workforce, were from the dominant local ethnic community. The institute has thus exceeded the threshold set in the National Cohesion and Integration Act, 2008 of a third or 33.3%.

Management Response

1844. Out of the 15 employees who hail from the dominant community, twelve (12) representing (80%) are cleaners, watchmen and cooks. In most cases, these lower cadre jobs attract people from the local community. The institute has thus exceeded the threshold set in the National Cohesion and Integration Act, 2008 of a third or 33.3%.

1845. Therefore, in light of the foregoing, the institute has been progressively correcting the imbalance in

new hiring's both in newly created roles or replacements.

Committee Observation

1846. The Committee observed the common challenge regarding ethnic diversity, especially concerning lower cadre staffing often sourced from the local community.

Committee Recommendation

1847. The Committee recommends the accounting officer to proactively embed affirmative action strategies in subsequent recruitment drives, particularly for all staff cadres, to achieve and maintain compliance with constitutional and statutory requirements concerning diversity and inclusiveness.

14.2.40 Unresolved Prior Year Issues

1848. In the audit report of the previous year, several matters were raised under the reports on financial statements report on lawfulness and effectiveness in the use of public resources and a report on effectiveness of internal controls and risk management and governance.

1849. However, the management has not resolved the issues or explained its failure to report on the progress made in resolving the issue as prescribed in the reporting requirements PSASB.

Management Response

1850. The management regrets that matters raised by the OAG were not all resolved on time as should have been.

1851. However, as evidenced in our progress in various submissions herein, the management is committed to resolving all matters raised by the OAG.

Committee Observation

1852. The Committee observed the management's renewed commitment to systematically tackling and resolving all matters raised by the Office of the Auditor General.

14.2.41 Non-Compliance with Laws on Ethnic Composition

1853. Review of June 2021 payroll showed that the institute had in its employment a total of twenty-two (22) non- teaching staff out of which fifteen (15) equivalent to 68% of the total workforce were from the dominant local ethnic community. The institute has thus exceeded the threshold set in the National Cohesion and Integration Act, 2008 of a third or 33.3%.

Management Response

1854. Out of the 15 employees who hail from the dominant community, 12 (80%) of them are cleaners, watchmen and cooks. In most cases, these lower cadre jobs attract people from the surrounding community as they are readily available and do not incur logistical costs such as relocation.

Majority of them were also in service when the National Cohesion and Integration Act, 2008 of a third or 33.3% came in to place.

1855. Therefore, in light of the foregoing, the institute has been progressively correcting the imbalance in new hiring's both in newly created roles or replacements.

Committee Observation

1856. The Committee observed the need to enhance ethnic diversity, recognizing the commitment made by the management to ensure fairness and adherence to diversity requirements in future hiring decisions.

Committee Recommendation

1857. The Committee recommends sustained implementation of the plan to correct the ethnic imbalance in hiring decisions, consistently promoting fairness and adherence to diversity laws.

14.2.42 Failure to Implement the E-Procurement System

1858. Review of the procurement process revealed that the institute has not implemented e- procurement system contrary to Regulation 49(2) of The Public Procurement and Assets Disposal Act Regulations 2020.

Management Response

1859. The management has procured an ERP System which is being installed as per the requested modifications which will help the Institute Implement the E- Procurement fully.

Committee Observation

1860. The Committee observed of the proactive steps taken through the procurement of an Enterprise Resource Planning (ERP) system, acknowledging this as a major step toward fully implementing the e-procurement system as required by regulation.

Committee Recommendation

1861. The Committee recommends the management to prioritize the swift installation and seamless integration of the ERP system to maximize its benefits in streamlining procurement processes and enhancing overall transparency.

14.2.43 Proposed Construction & Building Works for A Multipurpose Dinning Hall

1862. The contract for the proposed construction of multipurpose dining hall was signed on 28th August, 2020 at a contract sum of Kshs. 21,789,475. The contract period was for fifty- two weeks (52) which commenced on 1st September, 2020 and was to end on 1st September, 2021. However, as at the time of inspection in November, 2021, the project was still ongoing with amount of Kshs.

8,995,670 paid representing 41% of the contract sum having been certified as of 30th June, 2021. No documents were provided to confirm that an extension of contract period was granted to the contractor including the progress reports to indicate the status of the project.

Management Response

1863. The project implementation delay was occasioned by two things:

i. Extension of contract period by six months (26 weeks) was granted to the contractor to cater for the modifications and

ii. time consumed in site relocation. The letter of extension of the contract was kept as evidence to that effect.

Committee Observation

1864. The Committee observed the challenges encountered in the construction of the multipurpose dining hall, including delays caused by factors like the COVID-19 pandemic and site relocation.

Committee Recommendation

1865. The Committee recommends continuous close monitoring of project timelines and proactive communication with contractors to ensure completion within revised schedules and prompt delivery of essential institutional facilities.

14.2.44 Delayed Provisions of Consultancy Services

1866. The contract for provision of institutional management system solution was awarded at a contract sum of Kshs. 4,650,000. The contract period commenced in July, 2019 and the system was expected to be implemented by June, 2020. However, as at the time of the audit in November, 2021, the implementation of the system was yet to be completed. No plausible explanation was provided for delay in execution of the contract.

Management Response

1867. The delay was occasioned by several modifications and additions that were required to be made on the system's modules so that it could best fit the special nature of the institute.

1868. The Board has approved the recruitment of a procurement officer, internal auditor and a finance officer who will be the integral part of the system implementation and use.

1869. The vendor has successfully delivered the modified System to the institute in January 2023 and all users have been trained on use.

1870. The ERP system is currently operationalized on student admissions and registration.

Committee Observation

1871. The Committee observed the delay in finalizing the institutional management system solution implementation and acknowledges the institution's ongoing efforts to integrate new, efficient management systems.

Committee Recommendation

1872. The Committee recommends that the Accounting Officer ensures that all future ICT and consultancy contracts include clear milestone-based delivery schedules and liquidated damages clauses to hold vendors accountable for unjustified delays according to Section 135 of the Public Procurement and Asset Disposal Act, Cap. 412C.

14.2.45 Failure to Comply with Budget Approval Procedures

1873. The Institute prepared annual estimated for the year ended 30th June, 2021 and presented the same to the board for approval. However, there was no evidence to indicate that the same was submitted to the line Cabinet Secretary for approval as required by the law. In the circumstances, the regularity of the budget implemented by the institute could not be confirmed for the year ended 30th June, 2021.

Management Response

1874. The management regrets the non-compliance. Currently the management ensures timely submission of financial reports to the respective ministries as demonstrated.

Committee Observation

1875. The Committee observed of the management's commitment to improving governance processes and ensuring the timely submission of the annual budget to the appropriate authority for approval, aligning with legal requirements.

Committee Recommendation

1876. The Committee recommends that the Accounting Officer must henceforth ensure that all financial operations are conducted within the strictly approved budgetary limits to avoid the regularity of expenditures being questioned by the Auditor-General according to Section 68(2)(b) of the PFM Act, Cap. 412A.

14.2.46 Failure to Establish a Procurement Unit

1877. Review of organizational structure of the institute and discussion with the management revealed that the institute does not have a permanent procurement officer in place. During the year under review, the institute hired a procurement officer twice on temporarily basis between December and

April, on one-month contracts. It was further noted that the person handling procurement function is the accountant who does not possess the required qualifications in procurement as per Section 47 of the Public Procurement & Assets Disposal Act, Cap. 412C.

Management Response

1878. The management has complied with the OAG's recommendations by employing a procurement officer: Appointment letter of the Procurement Officer

Committee Observation

1879. The Committee observed that the failure to establish a substantive procurement unit and the appointment of an unqualified accountant to handle procurement functions is a direct violation of Section 47 of the Public Procurement and Asset Disposal Act, Cap. 412C.

Committee Recommendation

1880. The Committee recommends that the Accounting Officer ensures that the newly established procurement unit is fully resourced and that all procurement activities are conducted strictly by qualified professionals in compliance with Section 47 of the Public Procurement and Asset Disposal Act, Cap. 412C.

14.2.47 Failure to Map All Revenue Sources

1881. Audit examination showed that the institute has done revenue mapping as per the finance procedure manual revised on 31 July, 2017. However, a physical verification on revenue generating activities within the entity revealed that three revenue generating activities which are; cabro production, cloth production and cafeteria were not part of the identified revenue sources and were not budgeted for. Further, an amount of ksh.116,596 were sales of face masks made in cash, however, the institution does not have a cash management policy to guide on cash handling and therefore cash risks being misused at the source.

Management Response

1882. The Institute does not currently engage in cabro production or cloth production due to a lack of orders following the COVID-19 pandemic, which significantly impacted market demand.

1883. At present, the cafeteria and conference facility hire remain the only active sources of Income Generating Activities (IGA) revenue. This has been accurately reflected and reported in the financial statements.

Committee Observation

1884. The Committee observed that there is a systemic failure by management to fully map and budget for all Income Generating Activities (IGA), such as cabro and cloth production. Furthermore, the collection of revenue in cash (e.g., face mask sales) without a formal Cash Management Policy.

Committee Recommendation

1885. The Committee recommends that the Accounting Officer immediately develops and implements a comprehensive Cash Management Policy and an IGA Policy to ensure all revenue sources are mapped, receipted using official documents, and banked intact before any expenditure is incurred according to Section 68(2)(b) of the PFM Act, Cap. 412A.

14.2.48 Lack of ICT Policy

1886. Review of Machakos Technical Institute for the Blind's ICT environment during the year ended 30th June 2021 showed that there was no IT policy in place to outline effective use and management of information technology assets.

Management Response

1887. The management has developed, approved and submitted the following policies: ICT Policy

Committee Observation

1888. The Committee observed the development and approval of the ICT Policy, marking a valuable and proactive step towards safeguarding the institute's information technology assets and environment.

Committee Recommendation

1889. The Committee recommends regular review and proactive updating of the ICT Policy to ensure it remains relevant and responsive to evolving technological risks and operational needs, especially concerning data security and business continuity.

14.2.49 Lack of Approved HR Policy Documents

1890. Review of Machakos Technical Institute for the Blind June 2021 payroll reveals that the institute had 22 members of staff on its payroll. However, the institute does not have in place an approved code of conduct, staff establishment and scheme of service documents for effective control of personnel functions including recruitment, key competences, job descriptions, placements, remuneration and promotions. It was also noted that there is no progression of staff as current staff members have been stagnated in the same job position for long with no salary increment.

Management Response

1891. The management has submitted:

i. Staff establishment

ii. Scheme of service

iii. Human Resource policy with code of conduct in page 39

Committee Observation

1892. The Committee observed the management for successfully developing and submitting the essential human resource policy documents, including the Staff Establishment and scheme of service.

Committee Recommendation

1893. The Committee recommends the management to proactively implement these new policy documents to facilitate timely staff progression, career development, and promotions, thereby addressing previous concerns regarding stagnation.

14.2.50 Lack of Internal Audit Function

1894. The audit revealed that the institute does not have a functional internal auditor unit to appraise the management activities and operations. Further, the institute does not have an audit committee among its board of governors to oversight the institute's financial reporting process.

Management Response

1895. The management has employed an internal auditor and set up an internal audit function and committee.

Committee Observation

1896. The Committee observed the development and approval of the ICT Policy, marking a valuable and proactive step towards safeguarding the institute's information technology assets and environment.

14.2.51 Lack of Risk Management Policy and Disaster Recovery Plan

1897. Audit revealed that the institute did not have in place a Risk Management Policy to guide the management of risks through identification, assessment and mitigation.

Management Response

1898. The management submit the following policies developed and approved: -

i. Risk Management policy

ii. ICT Policy with disaster recovery plan on page 59.

Committee Observation

1899. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

14.3 Audited statement for the Financial Year 2021/22

14.3.1 Errors and Inaccuracies in the Presentation of Financial Statements

1900. Review of the financial statements submitted for audit revealed the following errors and inaccuracies;

1901. The statement of financial performance and Note 15 to the financial statements reflects comparative amount of Kshs. 40,093,876 in respect of use of goods and services whereas the previous audited statement of financial performance reflects a balance of Kshs.69,201,864 resulting in unreconciled variance of Kshs. 29,107,988.

1902. The statement of changes in net assets reflects an amount of Kshs.10,921,638 and Kshs.12,340,420 as opening balances for retained earnings and capital development Grant or fund respectively while the previous year closing balances reflected amounts of Kshs. 5,234,469 and Kshs.532,942,491 resulting to an unexplained variance of Kshs. 5,687,169 and Kshs.520,602,071 respectively.

1903. The statement of financial performance reflects an amount of Kshs.32,437,165 in respect of rendering of services. However, support documentations reflect an amount of Kshs.28,439,737 resulting to an unexplained variance of Kshs. 3,997,428.

1904. Report on the Council/Board of Governors has not been signed by the Secretary of the Board

1905. Report on management discussion and analysis reflects total expenses for the year of Kshs.95,545,423 while the statement of financial performance reflects total expenses of Kshs. 93,921,948 resulting in unreconciled variance of Kshs. 1,623,475.

1906. Issues raised in the previous year's audit report have not been included in the progress follow up in auditor's recommendation appendix. In the circumstances, the accuracy and presentation of balances reflected in the financial statements could not be confirmed.

Management Response

1907. Management regrettably noted a mismatch between Note 15 and the financial statements, which was occasioned by a typographical error during the transfer of data into the Word template.

1908. Following a thorough review of the financial statements, it was further identified that the comparative figure of Kshs. 40,093,876 reported under Use of Goods and Services was erroneous. The correct amount of Kshs. 45,737,036 has now been accurately reflected in the adjusted

Statement of Financial Performance and corresponding note 15.

1909. The amounts of Kshs. 10,921,638 for Retained Earnings and Kshs. 12,340,420 for Capital Development as presented in the Statement of Changes in Net Assets were found to mismatch the previous year's comparative figures of Kshs. 5,234,469 and Kshs. 53,294,249, respectively. This discrepancy was due to a typographical error during the transfer of data into the word template.

1910. However, as evidenced in the amended financial statements, the comparative figures for these components have now been correctly recorded and appropriately aligned.

1911. Management noted that the previously reported figure of Kshs. 32,437,165 was inaccurate. Following a thorough review, a correct and verifiable amount of Kshs. 24,103,764 has been reported in the adjusted Statement of Financial Performance.

1912. Furthermore, the reported total of Kshs. 28,439,737 includes reclassified amounts previously recorded under Rendering of Services, which have now been appropriately redistributed as follows:

i. Kshs. 4,054,200 reclassified to Transfers from National Government Entities

ii. Kshs. 281,773 reclassified to Hire of Facilities

1913. These adjustments have been correctly accounted for in the amended financial statements. 1938. The management noted the reporting error.

1914. Currently report on the Council/Board of Governors is being signed by the Secretary of the Board of Governors.

1915. The management noted the reporting error.

1916. Currently the report on the Council/Board of Governors is being signed by the Secretary of the Board of Governors.

1917. The management regrets that matters raised by the OAG were not all resolved on time as should have been.

1918. However, as evidenced in our progress in various submissions herein, the management is committed to resolving all matters raised by the OAG.

Committee Observation

1919. The Committee observed the substantial efforts undertaken by the management to reconcile and correct numerous presentation errors and inconsistencies across statements and comparative figures.

Committee Recommendation

1920. The Committee recommends adopting a diligent, multi-stage internal review process for draft financial statements prior to submission, ensuring meticulous alignment between main statements, notes, and comparative figures to consistently uphold high standards of financial disclosure.

14.3.2 Variances Between Comparative Balances Reflected in the Financial Statements and the Previous Year Audited Balance

1921. Review of the financial statements revealed that there were variances between the amounts reflected in the ledgers supporting the transactions and those for various components in the financial statements.

1922. Further, the trial balance to support balances reflected in the financial statements was not provided for audit.

1923. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

1924. The management noted the variances and have been adjusted in the adjusted financials statements, and subsequent financial statements.

1925. Management submitted a trial balance, ledgers & schedules to facilitate confirmation of accuracy and completeness of the financial statements.

Committee Observation

1926. The Committee observed the satisfactory resolution and adjustment of the variances between budgeted and actual amounts in the statement of financial performance, confirming accurate reconciliation efforts by the management team.

Committee Recommendation

1927. The Committee recommends ongoing vigilance in budget monitoring and analysis, ensuring that all material variances are thoroughly explained and factored into future budget projections for greater realism and financial adherence.

14.3.3 Property, Plant and Equipment

1928. The statement of financial position and as disclosed in Note 31 to the financial statements reflects a balance of Kshs. 352,942,491 in respect of property, plant and equipment.

1929. Review of records revealed that the institute incurred expenditure on firefighting equipment and furniture and fittings of Kshs. 2,223,274 and Kshs. 1,484,090 respectively. However, the additions

have been omitted from the PPE movement schedule.

1930. Further, supporting documents relating to expenditure on firefighting equipment were not provided for audit.

1931. In addition, the fixed asset register was lasted updated in the year 2019, and therefore does not include assets acquired later which include motor vehicle whose registration is in the name of a holding company.

1932. In the circumstances, the completeness, accuracy, presentation and disclosure of PPE balance could not be confirmed.

Management Response

1933. Management regrets that the fixed assets register had not been updated.

1934. Now with the updated PPE register, it was noted that the amounts of Kshs. 2,223,274 and Kshs. 1,484.090 of firefighting equipment and furniture & fittings were inaccurate.

1935. Hence, amended amounts of Kshs. 1,691,500 on firefighting equipment, Kshs. 3,851,090 on furniture have been recorded in the fixed Assets Register and in to the adjusted statement of financial position.

1936. Fixed asset register has been updated for all assets acquired post 2019.

1937. Transfer of ownership of the motor vehicle whose registration was in the name of the holding has been done, and the vehicle has been added in the institute's assets register.

Committee Observation

1938. The Committee observed the importance of fully capturing all recent asset acquisitions (such as firefighting equipment and furniture/fittings) in the Property, Plant and Equipment (PPE) schedule and recognizes the need to maintain an updated and comprehensive fixed asset register.

Committee Recommendation

1939. The Committee recommends the immediate updating of the fixed asset register to include all additions, ensuring that every expenditure on assets is supported by complete documentation and thus maintaining accurate asset valuation and effective control systems.

14.3.4 Unresolved Prior Year Matters

1940. In the audit of the previous year, several issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

1941. However, the management had not resolved the issues or given any explanation for failure to

implement the recommendations.

Management Comments

1942. The management regrets that matters raised by the OAG were not all resolved on time as should have been.

1943. As demonstrated in our progress in various submissions herein, the management is committed to resolving all matters raised by the OAG.

Committee Observation

1944. The Committee observed that the management has diligently provided the necessary supporting documents for the reported employee costs, including the internal auditor's appointment letter and the payment schedule for casual staff.

Committee Recommendation

1945. The Committee recommends the Accounting Officer to enhance their focus on strengthening cutoff procedures and compliance mechanisms to ensure that all expense supports and financial figures are accurate and aligned prior to submission.

14.3.5 Construction and Building Works for Multipurpose Hall

1946. The statement of financial position reflects property, plant and equipment of Kshs.

1947. 352,942,491 as disclosed in Note 31 to the financial statements. The balance includes value of buildings with net book value of Kshs. 37,188,282. Review of records relating to buildings revealed that a contract for construction and building works for multipurpose hall was awarded at a contract price of Kshs. 21,789,475 with a start and completion dates of 1 September, 2020 and 1st September, 2021 respectively, translating to a contract period of fifty-two (52) weeks. The contractor was to be paid in two installments of Kshs.12,340,200 and Kshs. 9,449,275 in the financial years 2020/2021 and 2021/2022 respectively. However, an audit inspection in the month of March, 2023, revealed that the building was incomplete and the contractor was not in site.

1948. In the circumstances, the management may not realize value for money from the incomplete project.

Management Response

1949. The delay in project implementation was occasioned by two primary factors:

i. A change of site was necessitated due to the instability of the original location, which was found to be waterlogged and unsuitable for construction. The project had to be

relocated to a more stable area within the institution.

ii. A change in the structural design from a one-storey to a two-storey building required a revision of the original Bills of Quantities (BQ). This design change further necessitated the preparation of a structural integrity report to confirm that the new site could support the revised design.

1950. To accommodate the site relocation and modifications in the design and scope, the contractor was granted an extension of the contract period by six months (26 weeks).

1951. A formal Letter of Extension was issued and is available as supporting documentation.

Committee Observation

1952. The Committee observed the subsequent strategic decision to revise the structural design from a one-storey to a two-storey building, thereby enhancing the asset's capacity and value.

Committee Recommendation

1953. The Committee recommends that the accounting officer ensures diligent monitoring of the revised project timeline and to expedite the completion of the construction and building works, confirming that the two-storey Multipurpose Hall is swiftly incorporated into the institution's assets list.

14.3.6 Non-Authentication of Academic Certificates

1954. The statement of financial performance reflects expenditure on employee costs of Kshs. 4,776,972 as disclosed in Note 16 of the financial statements. Review of a sample of twelve (12) personal files revealed that the institute engaged staff on contractual terms and renewed the same several times. However, there was no evidence that the academic papers of the members of staff had been authenticated with the Kenya National Qualification Authority for local qualifications or Commission for University Education for foreign qualifications.

1955. In the circumstances, the authenticity of the staff academic qualification could not be confirmed.

Management Response

1956. Management noted this and directed all employees to have their academic papers authenticated with the Kenya National Qualification Authority for local qualifications or Commission for University Education for foreign qualifications. The process is ongoing.

Committee Observation

1957. The Committee observed of the requirement to verify staff qualifications and demonstrate a responsible approach by directing all employees to ensure their academic papers are authenticated by the Kenya National Qualification Authority (for local qualifications) or the Commission for

University Education.

14.3.7 Lack of Segregation of Duties

1958. During the year under review, the total expenditure amounted to Kshs. 93,921,948. 1982. However, an audit review revealed that the institute did not have a licensed supply

1959. practitioner or alternatively engaged the services of licensed procurement agents. Further, the assistant accountant had been carrying out procurement duties besides his core responsibilities, indicating lack of segregation of duties between accounting and procurement functions.

1960. In the circumstances, the existence of the internal controls to prevent and detect occurrence of errors and fraud could not be confirmed.

Management Response

1961. The management employed a procurement officer to help carry out procurement processes as per the law.

Committee Observation

1962. The Committee commended and observed the management for promptly recognizing the internal control vulnerability concerning the segregation of duties and the lack of a licensed supplies practitioner.

Committee Recommendation

1963. The Committee recommends that the accounting officer should ensure the immediate and effective operationalization of the new Procurement officer role, thereby solidify the proper segregation of duties and maintain continuous compliance with all public procurement and asset disposal regulations.

15.0 MUKIRIA TECHNICAL TRAINING INSTITUTE

1964. Mr. Michael Maina, Chief Principal, accompanied by;

i. Ms. Roseline Kanyuri- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Mukiria Technical Training Institute, on 26th May 2025.

15.1 Audited statements for Financial Year 2019/2020

15.1.1 Failure to Submit Financial Statements

1965. The Management of the Institute did not submit for audit the financial statements for the year ended 30 June, 2018 contrary to the requirements of Section 68(2)(k) of the Public Finance Management

Act, Cap. 412A which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

1966. In the circumstances, the accuracy of opening balances could not be confirmed.

Management Response

1967. The Financial Statement were prepared and audited by the Schools Auditors.

Committee Observation

1968. There's clear breach of Section 68(2)(k) of the Public Finance Management Act, Cap. 412A , by failing to submit its financial statements for the year ended June 30, 2018, to the Auditor- General, which consequently prevented confirmation of the accuracy of the opening balances.

Committee Recommendations

1969. The Committee recommends that the Accounting Officer be reprimanded for this statutory breach and must henceforth ensure strict compliance with Section 68(2)(k) of the Public Finance Management Act, 2012, by preparing and submitting annual financial statements to the Auditor-General within the required three-month statutory deadline.

15.1.2 Property, Plant and Equipment

1970. The statement of financial position as at 30 June, 2019 and Note 21(a) to the financial statements reflects Kshs.42,755,883 in respect to property, plant and equipment which excludes values of land and buildings. However, records provided for audit review indicted that the Institute has two parcels of land numbers Abo/Mariene 2/781 and Nyweri/Mariene/779 measuring 2.75 and 2.6 acres respectively, which were not disclosed in these financial statements. Further, ownership documents and valuation reports for land including two (2) other parcels of land leased by the Institute were not provided for audit review.

1971. In the circumstances, the accuracy, completeness and ownership of the Institute's land and buildings as at 30 June, 2019 could not be ascertained.

Management Response

1972. Process initiated, Board minutes and correspondences to the National Land Commission.

Committee Observation

1973. The Committee observed the exclusion of owned and leased land and buildings, combined with the lack of ownership documents and valuation reports, fundamentally misstates the financial position and prevents confirmation of asset accuracy and completeness, constituting a breach of

International Public Sector Accounting Standards (IPSAS 17).

Committee Recommendations

1974. The Committee recommends that the Accounting Officer must immediately finalize securing all land title and professional valuation documents, ensuring all institutional assets are accurately incorporated into the fixed asset register and financial statements in strict compliance with IPSAS 17 and PFM regulations.

15.1.3 Motor Vehicles

1975. As disclosed in Note 21(a) to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.42,755,883 which includes an amount of Kshs.3,570,000 in respect to motor vehicles. The latter balance further includes an amount of Kshs.870,000 relating to one motor vehicle, registration number KCM 841B which had a private registration number instead of State Corporation reflective sheet as required. No justification or explanation was given for the anomaly. This is contrary to Section 12 of the Traffic (Registration Plates) Rules, 2016 that requires that the registration plate for a state corporation vehicle shall bear the required number of optical recognizable characters depending on the type of motor vehicle embossed and printed in white on blue aluminium reflective sheet.

1976. Further, Section 14 of the Act provides that the registration plate of a Government of Kenya vehicle shall bear seven optical recognizable characters with prefix "GK" embossed and printed in black on white aluminium reflective sheet for the front plate and yellow reflective sheet for the rear plate.

1977. In the circumstances, the validity and ownership of the motor vehicle could not be confirmed.

Management Response

1978. The vehicle KCM 841B was purchased as a training material for automotive. department and the log book is registered and issued under Mukiria Technical Training Institute.

Committee Observation

1979. The use of a private registration number (KCM 841B) on a motor vehicle purchased by the Institute constitutes a serious breach of Section 12 of the Traffic (Registration Plates) Rules, 2016, which requires State Corporation vehicles to bear a blue reflective sheet, thereby compromising the asset's confirmed validity and ownership.

Committee Recommendations

1980. Ensure proper adherence to identification protocols for all institutional assets in line with PFM

regulations.

15.1.4 Presentation of the Financial Statements

1981. Review of the Institute's financial statements revealed the following presentation anomalies:

i. The Institute's financial statements reflects at page iv under "Key Entity Information and Management" physical address of the Auditor-General as "Anniversary Towers, Institute Way" instead of "Anniversary Towers, University Way".

ii. Note 24, 25 (iv) and 26 to the financial statements in respect to deferred income, capital risk management and related party balances reflects the year under review and previous comparative year as 2019-2020 and 2018-2019 instead of 2018- 2019 and 2017-2018 respectively. In addition, Note 27 and 28 in respect to contingent assets and contingent liabilities respectively at page 31 reflects incorrect financial year as 2018/2018 instead of 2018/2019.

iii. Note 26 to the financial statements appears twice under related party balances and segment information at pages 30 and 31 respectively.

1982. In view of the foregoing, the financial statements presented for the year ended 30 June, 2019 do not conform to International Public Sector Accounting Standard No.1 on presentation of financial statements and the reporting framework prescribed by the Public Sector Accounting Standards Board.

Management Response

1983. In subsequent years typological errors have been corrected.

Committee Observation

1984. The Committee observed the anomalies observed constitute a fundamental breach of International Public Sector Accounting Standard No. 1 (IPSAS 1) and the prescribed Public Sector Accounting Standards Board (PSASB) reporting framework.

Committee Recommendations

1985. Ensure strict compliance with International Public Sector Accounting Standard No. 1 (IPSAS 1) and the prescribed PSASB reporting template, and implement robust quality control for early error detection.

15.1.5 Late Submission of Financial Statements

1986. The financial statements for the year ended 30 June, 2019 were submitted for audit on 01 December, 2020, about fourteen (14) months after the statutory deadline of three (3) months after

the end of the financial year contrary to Section 68(2)(k) of the Public Finance Management Act, Cap. 412A which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the fiscal year to which the accounts relate.

1987. In the circumstances, the Institute was in breach of the law.

Management Response

1988. In subsequent years the deadlines have been observed.

Committee Observation

1989. The Institute was in fundamental breach of Section 68(2)(k) of the PFM Act, Cap. 412A, for failing to submit its financial statements within the mandatory three-month statutory deadline.

Committee Recommendations

1990. The Accounting Officer must ensure strict compliance with Section 68(2)(k) of the Public Finance Management Act, Cap. 412A, by submitting financial statements within the statutory three-month deadline.

15.1.6 Staff Ethnic Composition

1991. Review of the personnel records provided for audit review indicated that the Institute's Board of Governors had employed thirty-four (34) staff members. However, 21 members of staff or 62% were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

1992. In the circumstances, the Institute was in breach of the law.

Management Response

2016. Current staff Establishment

S/NO	ETHINIC GROUP	MALE	FEMALE	TOTAL	%
1	MERU	28	32	60	45%
2	KIKUYU	9	8	17	13%
3	KAMBA	6	4	10	8%
4	EMBU	7	2	9	7%
5	THARAKA	4	6	10	8%
6	KALENJIN	9	2	11	8%

7	KISII	5	2	7	5%
8	LUHYA	3	0	3	2%
9	LUO	0	2	2	2%
10	BURJI	0	1	1	1%
11	RENDILE	1	0	1	1%
12	TURKANA	1	0	1	1%
		73	59	132	

Committee Observation

1993. The Committee observed that the continued failure to achieve diverse staffing undermines the core constitutional principles requiring fair representation in public service.

Committee Recommendations

1994. The Accounting Officer must take immediate and deliberate actions to correct this ethnic imbalance, primarily by ensuring affirmative action is used in all future hiring processes.

15.1.7 Use of Goods and Services – Expenditure on Smart Cards

1995. Note 11(a) to the financial statements reflects use of goods and services expenditure of Kshs.30,321,413 out of which Kshs.600,000 was in respect of purchase of one thousand and ninety (1,090) students' smart cards during the year under review. However, a Local Purchase Order (LPO) for the purchase of the cards was not provided for audit review.

1996. Further, at the time of audit exercise in December, 2020, the Institute had only received three hundred and seventeen (317) smart cards while the balance of seven hundred and seventy-three (773) had not been supplied. In addition, out of three hundred and seventeen (317) cards received, only twenty-eight (28) cards had been issued to students and the balance of two hundred and eighty-nine (289) cards were still being kept in the Institute's stores. No explanation was provided for the delay in the issuance of the cards to students.

1997. In the circumstances, the propriety and value for money in respect of the purchase of smart cards of Kshs.600,000 could not be confirmed.

Management Response

1998. Support document attached. LPO, Goods Received Note, List of issuances to trainees, Agreement with the bank.

Committee Observation

1999. The Committee observed the serious deficiencies, meaning the money spent did not provide the intended value.

Committee Recommendations

2000. The Accounting Officer must immediately secure the delivery of all outstanding smart cards and ensure the quick and efficient distribution of all purchased cards to the students.

15.1.8 Budgetary Control and Performance

2001. The statement of comparison of budget and actual amounts reflects an approved receipt budget and actual on comparable basis of Kshs.85,954,897 and Kshs.68,077,637 respectively resulting to a

revenue shortfall of Kshs.17,877,260. Management has not provided any explanation for the shortfall in revenue.

2002. Similarly, the statement reflects actual expenditure of Kshs.49,902,909 against an approved budget of Kshs.85,954,897 resulting to an under expenditure of Kshs.46,175,425 or 53% of the budget. However, records indicate that the Institute over spent on three items by an amount of Kshs.10,123,423 for which, no approval or supplementary budget was provided for audit review. This is contrary to Regulation 40(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that accounting officers may seek supplementary budget if the expenditure cannot be met by budget reallocation.

2003. In the circumstances, the Management was in breach of the law.

Management Response

2004. Adherence to Budget and Procurement Plan in subsequent years.

Committee Observation

2005. The Committee observed that the institution showed very poor budget control, evidenced by a large revenue shortfall and massive under-expenditure of funds.

Committee Recommendations

2006. The Committee recommends that the management ensure that no expenditure exceeds the budget without prior, formal approval, as required by law.

15.1.9 Lack of Internal Audit Function

2007. During the year under review, the Institute operated without Internal Audit function. This is contrary to Section 73(1)(a) the Public Finance Management Act, Cap. 412A which provides that every national government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

2008. As a result, the Institute lacks internal structures, which could provide advice and assurance to the management regarding effectiveness of the Institute's internal controls risk management and governance.

Management Response

2009. Subsequent years the Internal Audit is functional. Attached Advertisement, shortlisting, interview minutes and appointment letter for the internal auditor.

Committee Observation

2010. The Institute lacked crucial internal controls and structures to provide management advice on risks and governance.

Committee Recommendations

2011. Ensure the new Internal Audit function is fully working and maintained at all times.

15.1.10 Failure to Establish an Audit Committee

2012. The Institute had not established an Audit Committee as at 30 June, 2019 contrary to Section 73(5) of the Public Finance Management Act, Cap. 412A. The law requires every national government public entity to establish an Audit Committee to support the Accounting Officer with regard to issues of risk, control governance and associated assurance and follow up on the implementation of the recommendations of internal and external auditors.

Management Response

2013. Subsequent years the audit committee was established. Attendance List, minutes, invitation to meetings for the audit committees.

Committee Observation

2014. The Committee observed that the Institute broke the law by failing to set up an Audit Committee, as required by the Public Finance Management Act, Cap. 412A.

Committee Recommendations

2015. The Committee recommends that the Accounting Officer must ensure the new Audit Committee is working fully and meets regularly to manage financial risks and internal controls.

15.2 Audited statements for Financial Year 2019/2020

15.2.1 Inaccurate Comparative Balance

2016. Note 27 to the financial statements reflect Kshs.19, 810,600 in respect to comparative balance for related party transactions. However, the audited financial statements for the period ended 30 June, 2019 reflected Kshs.29,810,600 in respect to the other related parties resulting to unexplained variance of Kshs.10,000,000.

2017. In the circumstances, the accuracy of the comparative balance for related party transactions of Kshs.19,810,600 disclosed in the financial statements could not be confirmed.

Management Response

2018. Errors adjusted in subsequent years

Committee Observation

2019. The Committee observed that there exists a serious lack of consistency means the financial records cannot be trusted.

Committee Recommendations

2020. The Committee recommends that all required financial reporting and accounting standards be strictly followed going forward to address the existing historical mistake.

15.2.2 Cash and Cash Equivalents

2021. Note 17(a) to the financial statements reflects Kshs.19,300,080 in respect to cash and cash equivalents. However, the respective bank reconciliation statement reflects Kshs.2,650 in respect to payments in the bank statements not entered in the cashbooks and therefore overstating the cash and cash equivalents by the same amount.

2022. In view of the above, the accuracy of the cash and cash equivalents balance of Kshs.19,300,080 as at 30 June, 2020 could not be ascertained.

Management Response

2023. The omission was corrected in the subsequent financial year. .

Committee Observation

The Committee observed an error in cash records, which led to an overstatement of the cash and cash equivalents balance, highlighting deficiencies in the institution's financial reconciliation processes.

Committee Recommendations

2024. The Committee recommends that the Accounting Officer should rigorously enforce internal controls to ensure accurate financial reporting.

15.2.3 Land and Buildings

2025. As disclosed in Note 21(a) to the financial statements, the statement of financial position reflects Kshs.41,371,867 in respect to property, plant and equipment which includes a nil balance in respect to land and buildings. As reported in the previous year, the land and buildings balance exclude two parcels of land numbers Abo/Mariene 2/781 and Nyweri/Mariene/779 measuring 2.75 and 2.6 acres respectively but whose ownership documents and valuation reports were not availed for audit review.

2026. Further, the land and building balance excludes two (2) parcels of land measuring 70ft by 70ft and

84ft by124ft leased for a period of ten (10) years from two different parties.

However, details of the parcels of leased land including ownership and valuation reports were not availed for audit review.

2027. In the circumstances, the accuracy, completeness and ownership of the Institute's land and buildings as at 30 June, 2020 could not be ascertained.

Management Response

2028. Process initiated, Board of Governors minutes and correspondence from National Land Commission Attached.

Committee Observation

2029. The Committee observed a recurring and serious lapse in asset management.

Committee Recommendations

2030. Therefore, it is important to ensure these assets are promptly and accurately disclosed in the asset register in compliance with Public Finance Management (National Government) Regulations, 2015 under Regulation 139 on asset control systems.

15.2.4 Motor Vehicle with Private Number Plates

2031. Note 21(a) to the financial statements reflects Kshs.41,371,867 in respect to property, plant and equipment which includes Kshs.1,785,000 in respect to motor vehicles. However, the motor vehicle balance included Kshs.652,500 in respect to motor vehicle registration KCM 841D which had private registration number instead of State Corporation reflective sheet as required. No justification or explanation was given for the anomaly. This is contrary to Section 12 of the Traffic (Registration Plates) Rules, 2016 which states that the registration plate for a state corporation vehicle shall bear the required number of optical recognizable characters depending on the type of motor vehicle embossed and printed in white on blue aluminium reflective sheet.

2032. Further, Section 14 of the Act provides that the registration plate of a Government of Kenya vehicle shall bear seven optical recognizable characters with prefix "GK" embossed and printed in black on white aluminium reflective sheet for the front plate and yellow reflective sheet for the rear plate.

2033. In the circumstances, the validity, ownership and security of the Motor Vehicle worth Kshs.652, 500 as at 30 June, 2020 could not be confirmed.

Management Response

2034. The vehicle KCM 841B was purchased as a training material for automotive department and the log book is registered and issued under Mukiria Technical Training Institute.

Committee Observation

2035. The Committee observed that use of a private registration number on a government vehicle constitutes a serious breach of the Traffic (Registration Plates) Rules, 2016.

Committee Recommendations

2036. Ensuring proper adherence to identification protocols for all institutional assets in line with PFM regulations is needed.

15.2.5 Unsupported Work-In-Progress

2037. Note 21(a) to the financial statements reflects Kshs.41,371,867 in respect to property, plant and equipment which includes Kshs.12,396,096 in respect to work in progress which further includes Kshs.6,661,214 incurred in construction of catering hall, masonry workshop, bus sheds and mabati lecture rooms. However, supporting documents including bills of quantities, quotations, opening and evaluation committee minutes, professional opinion, letters of offer and acceptance, contract agreements and minutes/reports of the site meetings were not provided for audit review. This is contrary to Section 9(1)(e)(i) of the Public Audit Act, Cap. 412B which gives the Auditor- General unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution.

2038. In the circumstances, the propriety and value for money of the Kshs.6,661,214 expenditure for the year ended 30 June, 2020 could not be confirmed.

Management Response

2039. Attached support documents.

Committee Observation

2040. The failure to provide critical supporting documents related to the construction works constitutes a clear breach of the Public Audit Act, CAP. 412B.

Committee Recommendations

2041. The Committee recommends that there is need to ensure prompt provision of all mandated procurement and contract documentation.

15.2.6 Repairs and Maintenance

2042. Note 15 to the financial statements reflects Kshs.2,856,614 in respect to repairs and maintenance

which includes an expenditure of Kshs.176,900 comprising of Kshs.34,450 and Kshs.142,450 in respect to supply of stationery and building materials respectively.

2043. However, low value procurement method was irregularly used in procuring the items worth the Kshs.176,900 contrary to legal notice 106 of 18 June, 2013, first schedule of threshold matrix for Class C procuring entities which stipulates that low value procurement maximum level of expenditure under this method is Kshs.5,000 per procurement per item. Further, no requisition for materials or repairs were availed for audit review.

2044. In the circumstances, the Institute is in breach of the law and propriety of the Kshs.176,900 expenditure for the year ended 30 June, 2020 could not be ascertained.

Management Response

2045. Support documents.

Committee Observation

2046. The Committee observed a regulatory breach compounded by the initial failure to provide necessary supporting requisition documents.

Committee Recommendations

2047. The Committee recommends that there is need to ensure strict future adherence to legal procurement thresholds.

15.2.7 Budgetary Control and Performance

2048. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.111,609,581 and Kshs.60,937,957 respectively resulting to a budget under performance of Kshs.50,671,624 or 45% of the budget. Further, the statement reflects a final expenditure budget and actual on comparable basis of Kshs.111,609,581 and Kshs.54,764,912 respectively, resulting to underutilization of Kshs.56,844,669 or 51% of the approved budget.

2049. The budget underperformance is an indication that most of the programs and activities that had been planned were not implemented. The Management need to review its budget making process with a view to formulating a realistic budget that would be actualized for better service delivery.

Management Response

2050. Adherence to Budget and Procurement Plan in subsequence years.

Committee Observation

2051. The Committee observed a Majorshortfalls in projected revenue and actual spending indicate seriously flawed financial planning and consequently failed to deliver planned institutional services.

Committee Recommendations

2052. The Committee recommends that the institution must urgently seek alternative income-generating activities to reduce dependency on government capitation.

15.2.8 Budget Over Expenditure

2053. The statement of comparison of budget and actual amounts reflect over expenditure amounting to Kshs.22,484,356 on compensation of employees, board allowances, RMI, provision for audit fees, depreciation and amortization, contracted services and transfer to Igembe Technical Training Institute. However, no supplementary budget approval was provided for audit review for the Kshs.22,484,356 over expenditure contrary to Section 40(5) of the Public Finance Management (National Government) Regulations, 2015 which states that accounting officers may seek supplementary budget if the expenditure cannot be met by budget reallocation under Section 43 of the Act.

2054. In the circumstances, the Management is in breach of the law.

Management Response

2055. Adherence to Budget and Procurement Plan in subsequence years.

Committee Observation

2056. The Committee observed that there is Incurring substantial over-expenditure without seeking prior supplementary budget approval constitutes a serious violation of financial regulations and demonstrates weak financial discipline.

Committee Recommendations

2057. The Committee recommends that the institutions should ensure rigorous budgetary adherence henceforth, by obtaining proper authorization for any deviation from the approved budget.

15.2.9 Staff Ethnic Composition

2058. Personnel records provided indicates that the Institute's Board of Governors had employed Fifty-one (51) staff members from different ethnic communities. However, 37(73%) members of staff were from the dominant community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

2059. In the circumstances, the Institute is in breach of the law. 2085. Current staff ethnicity.

S/NO	ETHINIC GROUP	MALE	FEMALE	TOTAL	%
1	MERU	28	32	60	45%
2	KIKUYU	9	8	17	13%
3	KAMBA	6	4	10	8%
4	EMBU	7	2	9	7%
5	THARAKA	4	6	10	8%
6	KALENJIN	9	2	11	8%
7	KISII	5	2	7	5%
8	LUHYA	3	0	3	2%
9	LUO	0	2	2	2%
10	BURJI	0	1	1	1%
11	RENDILE	1	0	1	1%
12	TURKANA	1	0	1	1%
		73	**59**	**132**	

Committee Observation

2060. The persistent high concentration of staff from a single ethnic community breaches the law.

Committee Recommendations

2061. It is important to implement immediate and deliberate efforts, including affirmative action in subsequent recruitments, to swiftly correct this ethnic imbalance and ensure compliance with Article 232 of the Constitution.

15.2.10 Lack of Internal Audit Function

2062. As reported in the previous year, the Institute had not established an internal audit function as at 30 June, 2020. This is contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A which stipulates that every national government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

2063. In the circumstances, the Institute lacks internal structures, which could provide advice and assurance to the management regarding effectiveness of the Institute's internal controls risk management and governance.

Management Response

2064. Subsequent years the Internal Audit is functional. Attached Advertisement, shortlisting, interview minutes and appointment letter.

Committee Observation

2065. The Committee observed the recurrent failure to establish a functional Internal Audit structure clearly breached Section 73(1)(a) of the PFM Act, Cap. 412A undermining crucial oversight and assurance functions.

Committee Recommendations

2066. The Committee recommends that an internal Audit department can be maintained and operated fully to guarantee continued compliance with PFM Act requirements for internal control and risk governance.

15.2.11 Failure to Establishment an Audit Committee

2067. As reported in the previous year, the Institute had not established an audit committee as at 30 June, 2020 contrary to Section 73(5) of the Public Finance Management Act, 2012. The law requires every national government entity to establish an Audit Committee to support the Accounting Officer with regard to issues of risk, control, governance and associated

assurance and follow up on the implementation of the recommendations of internal and external auditors.

2068. In the circumstances, the effectiveness of the internal controls, risk management and governance of the Institute could not be confirmed.

Management Response

2069. Subsequent years the audit committee was established. Attendance List, minutes, invitation to meetings.

Committee Observation

2070. The Committee observed that the prolonged absence of a formalized Audit Committee directly breached Section 73(5) of the PFM Act, Cap. 412A.

Committee Recommendations

2071. The Committee recommends that there is need to ensure that the Audit Committee is immediately made fully operational, properly constituted, and inducted to guarantee strict, ongoing compliance with statutory PFM governance and oversight requirements.

15.3 Audited statements for Financial Year 2020/2021

15.3.1 Unsupported Expenditure on Use of Goods and Services

2072. The statement of financial performance reflects an amount of Kshs.28,739,402 under use of goods and services and as disclosed under Note 11(a) to the financial statements. The amount includes tuition fees of Kshs.10,297,903 out of which Kshs.476,600 was paid to staff trainers and others within the school as allowances, including subsistence allowances.

2073. However, the criteria used to pay the subsistence allowance to the staff members who were at their duty stations was not provided for review. It was therefore not clear how the rates used to pay were determined by Management. Further, training schedules, attendance lists, evidence of training venue, letters of appointment to the respective committees for the members, the duration of the appointment of the Committee s and clarity on the end user of the Committee 's reports were not provided.

2074. In the circumstances, the accuracy of the Kshs.476,600 expenditure could not be confirmed.

Management Response

2075. Support documents Attached.

Committee Observation

2076. Paying subsistence allowances to staff while at their usual duty stations, coupled with the widespread lack of supporting documents demonstrates weak control over expenditures and prevents confirmation of the payment's validity.

Committee Recommendations

2077. Make pre-approved payment using a good criteria and comprehensive structure to document, submit, and verify evidence for future review.

15.3.2 Unsupported Receivables from Exchange Transactions

2078. The statement of financial position reflects Kshs.70,333,110 in respect to receivables from exchange transactions. As further disclosed under Note 18 to the financial statements, the balance relates to student debtors and includes Kshs.45,503,871 that has been outstanding since the financial year 2019/2020. However, the debtors ageing analysis schedule was not provided for audit.

2079. In the circumstances, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.45,503,871 could not be confirmed.

Management Response

2080. Support documents Attached

Committee Observation

2081. The Committee observed that there was failure to provide the mandatory debtors aging analysis schedule severely compromised the ability to confirm the accuracy and recoverability of the substantial outstanding receivable balance.

Committee Recommendations

2082. The Committee recommends that there is need to ensure strict compliance with PFM requirements for providing supporting financial documentation, and pursue aggressive strategies for the prompt recovery of all long outstanding student arrears.

15.3.3 Land Without Ownership Documents and Valuation Reports

2083. The statement of financial position reflects an amount of Kshs.51,050,741 under property, plant and equipment which as disclosed under Note 21 to the financial statements reflects nil balance for land and buildings. As previously reported, the land and buildings balance exclude two parcels of land measuring 2.75 and 2.6 acres. Further, the ownership documents and valuation reports of the two parcels were not provided for audit review.

2084. In addition, the land and buildings balance also excludes two (2) parcels of land measuring 70 ft by 70 ft and 84 ft by 124 ft leased for a period of ten (10) years from two different parties whose details of ownership and valuation reports were not provided for audit.

2085. In the circumstances, the accuracy, completeness, valuation and ownership of the institute's land and buildings could not be ascertained.

Management Response

2086. Process initiated, Board minutes and correspondences to the National Land commission attached.

Committee Observation

2087. The Committee observed that the omission of institution-owned and leased land parcels, fundamentally undermines the accuracy and completeness of the Institute's asset base.

Committee Recommendations

2088. The Committee recommends that they secure all requisite title documents and professional valuation reports for all land holdings, and ensure these assets are correctly incorporated into the formal asset register for confirmation in the subsequent audit cycle.

15.3.4 Motor Vehicle with Private Number Plate

2089. Further the property, plant and equipment balance of Kshs.51,050,741 excludes motor vehicles with an original cost of Kshs.7,140,000 that are fully depreciated and have not been revalued despite being of economic value. In addition, and as previously reported, the fully depreciated motor vehicles include a vehicle, which bears a private registration number instead of the blue colour state corporation reflective sheet as required. No justification or explanation was provided for the anomaly. This is contrary to Section 12 of the Traffic (Registration Plates) Rules, 2016 which states that the registration plate for a State Corporation vehicle shall bear the required number of optical recognizable characters depending on the type of motor vehicle embossed and printed in white on blue aluminum reflective sheet.

2090. In the circumstances, the accuracy, completeness, and ownership of the motor vehicles with a cost of Kshs.7,140,000 could not be confirmed.

Management Response

2091. The vehicle KCM 841B was purchased as a training material for automotive department and the log book is registered and issued under Mukiria Technical Training Institute.

Committee Observation

2092. The Committee observed a significant breach of state regulations concerning public asset registration and identification and the failure to revalue fully depreciated but functional assets.

Committee Recommendations

2093. The Committee recommends and directs the Accounting Officer to immediately rectify the vehicle registration anomaly and ensure all existing assets are professionally revalued and accurately accounted for as required by PFM Regulation.

15.3.5 Unsupported Work-In-Progress

2094. The property, plant and equipment figure of Kshs.51,050,741 also includes Kshs.29,066,100 relating to Work-In-Progress. As previously reported, the supporting documents including bills of quantities, quotations, opening and evaluation committee minutes, professional opinion, letters of offer and acceptance, contract agreements and minutes/reports of site meetings were not provided for audit review. This is contrary to Section 9(1)(e)(i) of the Public Audit Act, 2015 which gives the Auditor-General unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the constitution.

2095. In the circumstances, the accuracy, completeness and valuation of the balance of Work- In-Progress

of Kshs.29,066,100 could not be confirmed.

Management Response

2096. The WIP is for the Mentee institution, Igembe Central TVC and the support document attached.

Committee Observation

2097. The Committee observed that the failure to provide essential contract and procurement records severely violated the Public Audit Act, Cap. 412B, hindering the comprehensive review and valuation of the substantial work-in-progress balance.

Committee Recommendations

2098. The Accounting Officer should strictly comply with strict compliance with Section 9(1)(e)(i) of the Public Audit Act, Cap. 412B by timely producing of all project documentation.

15.3.6 Understatement of Cash and Cash Equivalents Balance

2099. The statement of financial position and as disclosed under Note 17 to the financial statements reflects cash and cash equivalents balance of Kshs.59,640,217 which includes Kshs.12,497,325 held at local bank and Kshs.39,488,984 at another local bank account. However, the respective cashbooks had not been updated with two receipts in the bank statement and not in cashbook of Kshs.376,506 and Kshs.57,722 respectively totaling to Kshs.434,228 reflected in the bank reconciliation statements, thereby understating the cash book balance.

2100. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.59,640,217 could not be confirmed.

Management Response

2101. The omission was corrected in the subsequent financial year.

Committee Observation

2102. The Committee observed that the failure to consistently update cash records meant the final reported cash balance was inaccurate, indicating a fundamental lapse in the daily financial reconciliation processes.

Committee Recommendation

2103. The Committee recommends that the Accounting Officer is required to immediately implement robust and regular bank reconciliation procedures to ensure the accuracy of financial statements, strictly adhering to Section 68(2)(b) of the PFM Act 2012 regarding proper record-keeping.

15.3.7 Unsupported Payments to Casual Workers

2104. The statement of financial performance reflects an expenditure of Kshs.3,247,685 in respect to

repairs and maintenance which includes Kshs.317,800 paid to casual workers. However, there was no master roll provided to confirm that the paid beneficiaries actually did the work. Further, minutes authorizing engagement of casual laborers were also not provided for audit review.

2105. In the circumstances, the accuracy and completeness of the Kshs.317,800 expenditure on casual workers could not be confirmed.

Management Response

2106. Master roll and other support documents were duly provided by the Management.

Committee Observation

2107. The Committee observed that the absence of core documentation, specifically the master roll and official authorization.

Committee Recommendations

2108. The Committee recommends and directs the Accounting Officer to ensure strict compliance with legal provisions requiring adequate records for all personnel payments.

15.3.8 Budgetary Control and Performance

2109. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.152,898,000 and Kshs.86,085,971 respectively resulting to an under-funding of Kshs.66,812,029 or 44% of the budget. Similarly, the Institute expended Kshs.49,220,022 against an approved budget of Kshs.152,898,000 resulting to an under-expenditure of Kshs.103,677,978 or 68% of the budget.

2110. The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2111. Adherence to Budget and Procurement Plan in subsequent years.

2112. In addition, the Institute did not present its budget to the parent Ministry for approval by the Cabinet Secretary in-charge of Education contrary to Regulation 218(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Cabinet Secretary responsible for the State Corporation shall approve the estimates of budget for the state corporation and shall not later than January every year, submit to The National Treasury for approval those estimates for the following financial year.

2113. The requirement to present the budget to the Cabinet Secretary-Ministry of Education was adhered to in Subsequent years.

Committee Observation

2114. The Committee observed that the institution displayed significant weaknesses in fiscal management by experiencing major shortfalls in expected revenue and actual spending.

Committee Recommendations

The Committee directs the Accounting Officer to ensure strict adherence to legal requirements concerning budget approval and to immediately implement strong strategies for financial forecasting and income diversification to avoid repetitive performance failures.

15.3.9 Non-Compliance with Law on Ethnic Composition

2115. Review of the Institute's human resource records including the payroll revealed that the Institute had 50 employees. However, analysis of the payroll indicated that 36 employees or 72% were from the same ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

2116. Management was, therefore, in breach of the law.

Management Response

2117. Current staff ethnicity.

S/NO	ETHINIC GROUP	MALE	FEMALE	TOTAL	%
1	MERU	28	32	60	45%
2	KIKUYU	9	8	17	13%
3	KAMBA	6	4	10	8%
4	EMBU	7	2	9	7%
5	THARAKA	4	6	10	8%
6	KALENJIN	9	2	11	8%
7	KISII	5	2	7	5%
8	LUHYA	3	0	3	2%
9	LUO	0	2	2	2%
10	BURJI	0	1	1	1%
11	RENDILE	1	0	1	1%

12	TURKANA	1	0	1	1%
		73	**59**	**132**	

Committee Observation

2118. The Committee observed that there is concentration of staff from one community significantly surpasses the legal limit is a fundamental breach of statutory requirements for diverse public service representation.

Committee Recommendations

2119. The Committee recommends and directs that the Management must apply affirmative action in all hiring to correct the existing imbalance and ensure strict adherence to Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act,Cap. 7N requirements for diverse staffing.

15.3.10 Irregular Recruitment and Engagement of Trainers

2120. The statement of financial performance and Note 12 to the financial statements reflects Kshs.6,723,456 in respect to employee costs. Review of payment vouchers and other supporting documents revealed that during the year under review, the Institute recruited 12 trainers, however, no advertisement was done for the various posts recruited and no documentary evidence was provided on how the recruitment process and appointment was done by the Governing Council. In addition, the contracts signed were open on the contract period of engagement of the trainers.

2121. In the circumstances, the regularity of the recruitment process could not be confirmed.

Management Response

2122. Subsequent years the process of recruitment has been adhered to.

Committee Observation

2123. The Committee observed that there was a critical violation of fair and open hiring standards and constitutes a serious breach of human resource management principles.

Committee Recommendations

2124. The Committee recommends and directs that the Management must immediately implement and adhere to a transparent, auditable recruitment policy requiring public advertisement.

15.3.11 Irregular Repairs and Maintenance

2125. The statement of financial performance reflects an expenditure of Kshs.3,247,685 in respect to repairs and maintenance which includes Kshs.337,970 paid to a Company for the supply of

building materials but whose supporting documents including quotations and opening and evaluation committee minutes were not provided for audit review. Further, the procurement documents provided by the three companies were not signed or stamped by the suppliers hence doubtful on their authenticity. In addition, the suppliers were not in the Institute's list of prequalified suppliers for the category for which they were invited to quote.

2126. In the circumstances, the value for money for the expenditure of Kshs.337,970 could not be confirmed.

Management Response

2127. Support documents Attached.

Committee Observation

2128. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

Committee Recommendations

2129. The Committee recommends that the Management must ensure strict compliance with vendor prequalification rules and validate all repairs and maintenance purchases with comprehensive, authorized documentation to uphold the mandatory requirements of the PFM Act, Cap. 412A.

15.3.12 Irregularities in Purchase and Supply of Building Materials

2130. The statement of financial performance reflects an amount of Kshs.3,247,685 under repairs and maintenance, which as disclosed under Note 15 to the financial statements includes Kshs.651,619 for the supply of construction materials procured through direct procurement. This is contrary to Section 103(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use direct procurement if any of the following are satisfied; the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists. Further, the suppliers' engaged were not registered for taxation purposes. In addition, the bill of quantities or plan for the classrooms that were being constructed was not provided for audit review.

2131. In the circumstances, value for money on Kshs.651,619 could not be confirmed. In addition, Management was in breach of the law.

Management Response

2132. Support documents attached by the Management.

Committee Observation

2133. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

15.3.13 Irregular Expenditure on Motor Vehicle Insurance Cover

2134. The statement of receipts and payments reflects an amount of Kshs.28,739,402 under use of goods and services as disclosed under Note 11(a) to the financial statements. The amount includes Kshs.2,173,593 for local travel and transport out of which Kshs.100,000 was paid for provision of comprehensive insurance cover for a motor vehicle. However, it was noted that the expenditure was not supported by the quotations and tender opening committee minutes, contrary to Regulation 104(1) of the Public Finance Management (National Government) Regulations, 2015 which states that all receipts and payment vouchers of public monies shall be supported by pre-numbered receipts, payment vouchers, appropriate authority and documentation. Further, there was no evidence of formal appointment of the evaluation committee and the evaluation minutes were signed by only one committee member who was the Secretary.

2135. In the circumstances, the Management was in breach of the law.

Management Response

2136. Supporting Documents attached.

Committee Observation

2137. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

15.3.14 Lack of a Scheme of Service

2138. Review of the payroll provided by the Institute indicated that 50 employees were engaged on contract terms during the year under review. However, the Institute did not provide an approved scheme of service to determine the staffing levels. As a result, the adequacy and appropriateness, job description, requirement, the existence and the necessity to fill vacancies or the possibility of staff progression could not be ascertained. This is contrary to Section 2.3 of the Public Service Commission - Guide for Career Management in the Civil Service of April, 2018 which states that a Scheme of Service is a Human Resource Management tool that is designed to provide career management for particular cadres of staff.

2139. In the circumstances, the Institute was in breach of the law.

Management Response

2140. Scheme of Service in place.

Committee Observation

2141. The Committee observed that failure to maintain an approved scheme of service compromised the entire hiring framework.

Committee Recommendations

2142. The Committee recommends that the Management must guarantee that the now-established scheme of service is formally approved and rigorously utilized as the foundational HR tool to determine require staffing levels.

15.3.15 Lack of Public Finance Management Standing Committee

2143. During the year under review the Institute did not have a Public Finance Management Committee (Standing Committee) in place as required by Regulation 18(1) of the Public Finance Management (National Government) Regulations, 2015 which states that every National Government entity shall have a Committee to be known as the Public Finance Management Standing Committee to provide strategic guidance to the entity on Public Finance Management matters.

2144. In the circumstances, the Management was in breach of the law.

Management Response

2145. Subsequent years Public Finance Management Standing Committee in place. Support Documents attached.

Committee Observation

2146. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

15.3.16 Delay in Supply and Implementation of Enterprise Resource Planning (ERP) System

2147. The statement of financial performance and as disclosed under Note 11(a) to the financial statements reflects an amount of Kshs.28,739,402 relating to use of goods and services which includes Kshs.660,000 relating to automation, paid to a Company for supply, installation, testing and training on an ERP system in March, 2020 at a contract sum of Kshs.1,650,000 and contract term ending on 30 April, 2020 or any other period as may have been subsequently agreed by the parties in writing. However, as at the time of audit the financial reporting modules of the ERP system had not been delivered yet full payment for the module had been made. In addition, the project had not been completed resulting to the delay in delivery of services to the Institute.

2148. Further, there was no project implementation team appointed by the Accounting Officer as required

by Section 151(1) of the Public Procurement and Asset Disposal Act, 2015 which states, for every complex and specialized procurement contract, the Accounting Officer of a procuring entity shall appoint a contract implementation team.

2149. In the circumstances, value for money on expenditure of Kshs.660,000 could not be confirmed.

Management Response

2150. Enterprise Resource Planning (ERP) System supplied and implemented.

Committee Observation

2151. The Committee observed the failure to establish the mandatory contract implementation team and the subsequent non-delivery of essential modules, despite partial payment, demonstrates a critical negligence in project governance and represent a direct breach of the Public Procurement and Asset Disposal Act, Cap. 412C.

Committee Recommendations

2152. The Committee recommends that the management must strictly ensure that for all future specialized procurement contracts, a duly appointed contract implementation team is operational as required by Section 151(1) of the PPADA, Cap. 412C, and must consistently maintain appropriate documentary evidence to confirm successful project completion and value for money.

15.3.17 Lack of an Internal Audit Function

2153. The Institute has not established an internal audit function. This is contrary to Section 155 of the Public Finance Management Act, Cap. 412A which provides for the establishment of the internal audit function, as a result, there was no audit report produced nor audit exercise conducted for presentation to the oversight body for purposes of reviewing and improving its operations.

2154. In the circumstances, the Institute did not benefit from the value of the internal audit function and its reports for management effectiveness and improvement.

Management Response

2155. Subsequent years the Internal Audit is functional. Attached Advertisement, shortlisting, interview minutes and appointment letter for Internal Auditor.

Committee Observation

2156. The Committee observed that the Institution's previous failure to establish a functional internal audit unit constituted a breach of the Public Finance Management Act, Cap. 412A.

Committee Recommendations

2157. Management must ensure that the newly established internal audit function is fully resourced,

functional, and active, consistently providing assurance and advisory services in compliance with Section 155 and Section 73(1)(a) of the PFM Act, Cap. 412A.

15.4 Audited statements for Financial Year 2021/22

15.4.1 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

2158. The statement of comparison of budget and actual amounts reflects actual receipts of Kshs.120,709,131. However, the statement of financial performance reflects total revenue of Kshs.119,713,266 resulting to unexplained variance of Kshs.995,865.

2159. In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

2160. Reconciliation of the variance has been done in the subsequent financial year.

Committee Observation

2161. The Committee observed that there was failure in budget execution, marked by substantial under-collection of funds, shows a critical flaw in aligning financial planning with realistic operational capacity, thus impairing public service outcomes.

Committee Recommendations

2162. The Committee recommends that the management must undertake consistent, periodic budget revisions to match realistic revenue inflows and prioritize developing robust, alternative income sources to minimize reliance on unpredictable government financing.

15.4.2 Unsupported Property, Plant and Equipment

2163. The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.48,122,100 which includes Nil balance on a motor vehicle with a cost of Kshs.7,140,000 which was fully depreciated.

2164. However, the Institute's fixed asset register reflects the value of motor vehicle as Kshs.700,000 while supporting document reflected Kshs.870,000. However, documents such as invoices or valuation reports were not provided for audit.

2165. In addition, two (2) motor vehicles which were in serviceable condition and fully depreciated had not been revalued.

2166. Further, the property, plant, and equipment balance did not include land and buildings. The official search provided for audit revealed that the Institute was allocated land measuring approximately 1.05 hectares where the Institute is located by the defunct Meru County Council. Further,

completed building list provided indicates the Institute had eight (8) complete buildings which were in use as at 30 June, 2022 and which were not included in both the financial statements and the asset register. In addition, the Institute has not obtained the title deed to the land contrary to Section 139 (1)(a) and (b) of Public Finance Management (National Government) Regulations, 2015.

2167. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 48,122,100 could not be confirmed.

Management Response

2168. Valuation of the institute assets has been done including motor vehicles, land and buildings which have been recorded in the Financial Statements in the subsequent years.

Committee Observation

2169. The Committee observed that there was a fundamental breakdown in complying with statutory asset management controls, exposing public property to risk and misstatement.

Committee Recommendations

2170. The Committee recommends that the management must immediately secure the title deed for the land to ensure legal ownership and must verify that the completed valuation exercise correctly updates the fixed asset register and financial statements.

15.4.3 Long Outstanding Receivables from Exchange Transactions

2171. The statement of financial position and as disclosed in Note 18 to the financial statements reflects receivables from exchange transactions balance of Kshs.59,333,222 due from current and past students out of which Kshs.48,677,950 is long outstanding. However, no evidence was provided on measures put in place to recover long outstanding fees by the debt policy committee yet some of the students completed their studies several year ago. In addition, the Institute has not provided for bad and doubtful debts.

2172. In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs. 48,677,950 could not be confirmed.

Management Response

2173. From the outstanding amount of Kshs. 48,677,950, the institute has recovered Ksh.20,054,900/= from the trainees. There are measures put in place to collect outstanding receivables which includes development of debt collection policy.

Committee Observation

2174. The Committee observed that there was lack of a formalized debt collection policy and the absence of a provision for doubtful debts make the recoverability long-outstanding fees highly uncertain.

Committee Recommendations

2175. The Committee recommends that the Management must finalize and implement the promised debt collection policy and ensure subsequent financial statements mandatorily include a suitable provision for bad and doubtful balances.

15.4.4 Unsupported Trade and Other Payables

2176. The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.33,063,459 which includes other payables amount of Kshs.14,209,300 in respect to un allocated money received which was classified as other payables instead of being credited to student receivable ledgers.

2177. Further, the semester or term or related period of study was not identified but the unallocated amount was recognized as current liability contrary to Paragraph 19 of IPSAS 9 which states that when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognized by reference to the stage of completion of the transaction at the reporting date. The stage of completion regarding the rendering of services was not disclosed since the schedules provided list students names and amounts awarded to each student but period of study sponsored was not disclosed. The money therefore received cannot be presumed to be a prepayment or a liability.

2178. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs. 14,209,300 could not be confirmed.

Management Response

2179. The outstanding unallocated amount was due to mismatch of trainee's admission numbers and names which has been resolved and amount allocated appropriately. Ledger has been provided.

Committee Observation

2180. The Committee observed that there was misclassification and inability to confirm the status on unallocated student money violates IPSAS 9 (Paragraph 19) requirements regarding recognizing revenue based on the stage of completion of services.

Committee Recommendations

2181. The Committee recommends that the management must maintain strict reconciliation procedures to

ensure all received funds are promptly and correctly allocated to student ledgers, strictly complying with IPSAS.

15.4.5 Unsupported Rental Revenue from Facilities and Equipment

2182. The statement of financial performance and as disclosed in Note 10 to the financial statements reflects rental revenue from facilities and equipment amount of Kshs.105,100. However, the schedule provided reflects three cash deposits of Kshs.105,100 made on 30 December, 2021 but not revenue earned from bed occupancy by students during the year under review.

2183. In the circumstances, the accuracy and completeness of the revenue amount of Kshs.105,100 could not be confirmed.

Management Response

2184. It was a miscellaneous income to the institute.

Committee Observation

2185. The Committee observed that there was inability to link the reported rental revenue to detailed schedules of facility usage or bed occupancy means undermining the accuracy and completeness of the financial statement entry.

Committee Recommendations

2186. The Committee recommends that the Accounting Officer must immediately provide detailed schedules confirming the source of the rental revenue and ensure continuous compliance with Section 68(2)(b) of the PFM Act, Cap. 412A by furnishing all supporting documentation.

15.4.6 Unsupported Expenditure on Repairs and Maintenance

2187. The statement of financial performance and as disclosed in Note 15 to the financial statements reflects repairs and maintenance amount of Kshs.7,907,435 which include motor vehicle repair expenses of Kshs.970,379 which further includes Kshs.529,966 paid to a supplier for supply of various items for one of the motor vehicles. However, professional opinion, stores records, pre-inspection report and post inspection report from the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works were not provided for audit.

2188. Further repairs and maintenance amount include Kshs.382,690 paid to casuals who were involved in repair works within the Institute. However, the need assessment report, approvals from Management to relevant departments to engage casuals and muster rolls were not provided for audit

2189. In the circumstances, the accuracy and completeness of repairs and maintenance amounting to Kshs.912,656 could not be confirmed.

Management Response

2190. The institute utilized the internally available capacity in the mechanical and automotive department to give recommendation due to the urgent use of the bus by trainees

Committee Observation

2191. The Committee observed that the Management's inability to provide essential documentation, including internal inspection records and muster rolls for casual labor, means the legitimacy and necessity.

Committee Recommendations

2192. The Committee recommends that the Management must strictly ensure that all repairs, whether external or via internal resources, are fully supported by pre- and post-inspection reports, signed approvals, and properly verified muster rolls.

15.4.7 Unsupported Refundable Deposits

2193. The statement of financial position and as disclosed in Note 23 to the financial statements reflects refundable deposits from customers balance of Kshs.442,000 in respect to caution money paid by students. However, no details were provided to confirm whether the students who paid the amount were still with the Institute or had completed their studies.

2194. In the circumstances, the accuracy and completeness of refundable deposits balance of Kshs.442,000 could not be confirmed

Management Response

2195. The amount was used to offset the outstanding balances owed by the trainees to the institute as per the Board approval. Trainees list and Board Minute extracts attached. The audit was conducted in accordance with International Standards of Supreme Audit. Institutions (ISSAIs). I am independent of the Mukiria Technical Training Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Committee Observation

2196. The Committee observed that the initial lack of details confirming the status of students who paid the refundable deposit suggests a weakness in the Institution's internal control system for managing and tracking student-related liability balances.

Committee Recommendations

2197. The Committee recommends that the management must implement a clear, robust policy to document and track the status of all refundable deposits owed to customers.

15.4.8 Budgetary Control and Performance

2198. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.179,628,000 and Kshs.120,709,131respectively resulting to an under-collection of Kshs.72,487,019 or 33% of the budget.

2199. Similarly, the Institute expended Kshs.83,155,494 against an approved budget of Kshs.179,628,000 resulting to an under-expenditure of Kshs.96,472,506 or 54% of the budget.

2200. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2201. The numbers of trainees in 2022 was 3,339 and currently the number is at 4,133. This will lead to improvement of fees collection hence will enhance service delivery.

Committee Observation

2202. The Institution's substantial failures in both revenue collection and expenditure execution highlight a fundamental mismatch between ambitious budgetary planning and the realistic availability of funds, severely compromising public service delivery.

Committee Recommendations

2203. The Committee recommends that management must consistently review and revise its budget projections quarterly to align with realistic expected receipts.

15.4.9 Unresolved Prior Year Matters

2204. In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided satisfactory explanation for the delay in resolving the issues.

Management Response

2205. The institute appeared before the Public Investments Committee on Wednesday, 19th June, 2024 however the management has not received any recommendation from the Committee.

Committee Observation

2206. The Committee observed that there is Deficient workmanship, missing land titles, and the failure to establish a retention account severely jeopardize the value for money spent on this mentored institution.

Committee Recommendations

2207. The Committee recommends that the Management must immediately rectify all construction defects, secure full land ownership documents, and establish a dedicated retention fund for all withheld contract balances as mandated by law.

15.4.10 Non-Compliance on Recruitment and Appointment Procedures for Trainers

2208. Review of the payroll for the month of June, 2022 revealed that the Institute employed twenty (20) new trainers. However, the advertisement for the vacant posts showing the title of the post, number of vacancies, job description, qualifications required and the proposed remuneration was not provided for audit review.

2209. This is contrary to Section B 4(1) of the Public Service Commission Human Resource Policies and Procedures Manual for Public Service May, 2016 which requires that Ministries/State Departments will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert and that the advert shall have the following details: the title of the post, number of vacancies, job description, person specification and the proposed remuneration.

2210. Further, the recruitment process was not supported with the relevant documents including the list of all applicants, the shortlisted candidates, members of the Committee carrying out the interview, appointment letters to the Committee, interview questionnaire, minutes of the Committee showing how the candidates scored and Board minutes approving the appointments.

2211. In addition, the scheme of service for trainers with a clearly defined career structures, well- defined job descriptions and specifications, standards for recruitment and training had not been approved. This is contrary to Section 7(l) (l) of the Technical and Vocational Education and Training Act, Cap.210A which states that the functions of the Authority shall be to advise on the development of schemes of service for trainers.

2212. In the circumstances, Management was in breach of the law.

Management Response

2213. Trainers separated from the institute without notice posing a challenge thus retrieving from pool of previous applications new trainers to attend to trainees. Sampled document attached.

Committee Observation

2214. The Committee observed that there was failure to maintain and produce essential recruitment documentation for twenty new trainers, is a critical failure in observing mandatory public service recruitment policies and transparency standards.

Committee Recommendations

2215. The Committee recommends that the management must prioritize and enforce strict, absolute adherence to the Public Service Commission Human Resource Policies and Procedures Manual in all forthcoming recruitment exercises.

15.4.11 Non-Compliance with Law on Ethnic Composition

2216. During the year under review, the total number of employees of the Institute was sixty – seven (67) out of which forty-two (42) or 63 % of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community".

2217. In the circumstances, Management was in breach of the law.

Management Response

2218. The composition entails low cadre employee whose pay is relatively low leading to recruitment of the dominant ethnic community; however, there is improvement in the current position as per the table below:

Ethnic Group	No. of Staff	Percentage
Meru	M	58%
Tharaka	6	8%
Embu	1	1%
Kisii	3	4%
Kamba	4	6%

Luo	3	5%
Luhya	1	1%
Kalenjin	4	6%
Kikuyu	7	10%
Turkana	1	1%
Total	**72**	**100%**

Committee Observation

2219. The significant over-representation of the dominant ethnic community (63% of 67 employees) is a direct breach of Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N. S

Committee Recommendations

2220. The Accounting Officer must within two years, implement affirmative action in all future recruitments to ensure absolute compliance with Article 232 (1) (h) and (I)(ii) of the Constitution and the National Cohesion and Integration Act, Cap. 7N.

15.4.12 Irregular Payments of Board Allowances

2221. The statement of financial performance and as disclosed in Note 13 to the financial statements reflects board expenses amount of Kshs.4,109,258. However, no authority from the Cabinet Secretary was provided to support the rates used to pay Board allowances. This is contrary to Section 17 of the Second Schedule of the Technical and Vocational Education and Training (TVET) Act, Cap. 210 A which states that members of Board of Governors shall be paid in respect of their services such remuneration or allowances as the Board of Governors shall, with the approval of the Cabinet Secretary determine.

2222. Further, the report on Board of Directors included in the financial statements reflects eleven Board of Governors members who include the Secretary to the Board who is the principal and representative of the Principal Secretary. However, the Kenya Gazette notice confirming the appointment of the other nine (9) Board of Governors who were appointed on 13 November, 2019 was not provided. This is contrary to provisions of Annexure 1(D) (3) of Mwongozo Code of Governance for State Corporations issued by the Public Service Commission issued January, 2015 which states that every appointment shall be by name and by notice in the Kenya Gazette. Further, the appointment letters of four (4) Board members were not provided for audit.

2223. In the circumstances, Management was in breach of the law.

Management Response

2224. The institute received the approval from the Ministry of Education-State Department of TVET after the financial year was closed, however in the subsequent years the Board allowances have been paid as per the approval. Approved request from the Ministry and appointment letters of the 4 Board members attached.

Committee Observation

2225. The Committee observed that the legality of the procurement expenditures totaling cannot be confirmed

Committee Recommendations

2226. The Accounting Officer must ensure strict compliance with Section 106(2)(a) and Section 104 of the Public Procurement and Asset Disposal Act, Cap. 412C

15.4.13 Irregular Procurement of Goods and Services

2227. Review of expenditure records revealed that the Institute paid Kshs.425,025 for provision of comprehensive insurance cover for the Institutes bus vehicle. However, the relevant request for quotations were made from a non-registered supplier. This is contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act, Cap. 412C which states that the Accounting Officer of a procuring entity shall give the request for quotations to such persons as are registered by the procuring entity.

2228. Further, the institute paid Kshs.214,853 for provision of land survey services for the Institute land. However, the relevant tender documents including quotations, opening and evaluation minutes, professional opinion, letters of offer and acceptance and contractual agreements to show how the surveyor was identified, tendered, and finally emerged as the best evaluated bidder, report on the survey done and Board adoption minutes were not provided for audit. This is contrary to Section 104 of the Public Procurement and Asset Disposal Act, Cap. 412C which states that an accounting officer of a procuring entity shall issue a tender document which shall be the basis of tender and appoint an ad hoc evaluation committee to negotiate with a person for the supply of goods, works or non-consultancy services being provided and ensure appropriate approvals under this Act have been granted.

2229. In the circumstances, Management was in breach of the law.

Management Response.

2230. The supplier was registered with the institute, however the register was not updated. Updated supplier list attached. Support Documents provided.

Committee Observation

2231. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

15.4.14 Irregular Expenditure on Enterprise Resource Planning (ERP) Software System

2232. Review of contract documents revealed that the Institute awarded a contract for supply and installation of seven (7) modules and implementation of ERP system on 16 March, 2020 at a contract sum of Kshs.1,650,000. However, no inspection and acceptance committee report were provided for audit. This is contrary to Section 48(3) of the Public Procurement and Asset Disposal Act, Cap. 412Cwhich states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect, test and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract; and accept or reject, on behalf of the procuring entity, the delivered goods,

2233. Further, the student's portal and SMS modules have not been initiated despite full payment.

2234. In the circumstances, Management was in breach of the law and the value for money on the expenditure of Kshs. 1,650,000 could not be confirmed.

Management Response

2235. Inspection and acceptance committee report attached and student's portal and SMS module fully installed and in use.

Committee Observation

2236. Paying fully for the ERP software without securing the required inspection report or confirming the operation of all modules violated procurement law and risked the entire Kshs. 1,650,000 investment.

Committee Recommendations

2237. Management must strictly adhere to Section 48(3) of the Public Procurement and Asset Disposal Act, Cap. 412C for all future works by ensuring the inspection and acceptance report is approved before making full payments.

15.4.15 Delay in Completion of Student Ablution Block

2238. The institute awarded a contract for the construction of the student ablution block on 22 March, 2022 and the completion date was 15 September, 2022 at a contract sum of Kshs.2,865,536. As at 30 June, 2022 an amount of Kshs.1,743,608 had been paid and the project was 60% complete. This is to contrary to Paragraph 44 of The National Treasury and Planning Circular No.16/2020 Ref No.ES/03' (50) dated 26 August, 2020 which states that the 2021/2022 budget will put more emphasis on completion of ongoing and stalled projects. In particular, the projects nearing completion should be funded adequately to ensure that the citizens benefit from such public investments.

Management Response

2239. The student ablution block is completed and in use.

Committee Observation

2240. The Institute's initial failure to complete the ablution block on time violated strict government policy requiring the quick delivery of public investment projects.

Committee Recommendations

2241. Management must ensure all future public works adhere to stipulated completion deadlines to guarantee citizens immediately benefit from public funds.

15.4.16 Delay in Implementation of Mentored Institution

2242. Review of contract documents revealed that the Institute awarded a contract on 13 May, 2019 for erection and completion of two (2) storey twin workshop, classrooms and offices block at Igembe Central Technical Training Institute at a contract sum of Kshs.59,062,877. The contract duration was 52 weeks starting on 8 August, 2019 and the expected contract completion time was 8 August, 2020. As at 30 June, 2022 the contractor had been paid Kshs.26,670,000.

2243. However, physical verification done in March, 2023 revealed that the project was 50% complete and the contractor had requested for an extension through a letter dated 8 February, 2023 and sixteen (16) weeks project extension was granted through a letter dated 10 February, 2023 from the Regional Works Officer but the justification for the extension was not provided for audit. In addition, no explanation was provided on action taken by the Management of the Institute to ensure the project is completed.

2244. Further, the title deed for the land, master plans and designs for the project were not provided for audit review.

2245. In the circumstances, the value for money invested in the projects could not be confirmed.

Management Response

2246. The works have been completed and the building is in use, awaiting handover.

Committee Observation

2247. The Institution's failure to surrender old, unclaimed caution money violates Section 9 of the Unclaimed Financial Assets Authority Act, Cap. 494, suggesting a lack of compliance with statutory requirements for managing abandoned funds.

Committee Recommendations

2248. The Committee recommends that the Management must immediately implement reliable measures to comply with the Unclaimed Financial Assets Authority Act, Cap.494, especially regarding efforts to locate owners and the legal surrender of abandoned caution money.

15.4.17 Unclaimed Caution Money

2249. Review of documents on refundable deposits in respect to caution money revealed that the Institute had a balance of Kshs. 442,000. The ledger provided indicated that the students joined the Institute in 2017, 2018 and 2019 and could have completed their studies. The caution money had not been surrendered. This is contrary to Section 9 of the Unclaimed Financial Assets Authority Act, Cap. 494 which states that a deposit made by a subscriber with a utility to secure provision of services or any sum paid in advance for utility services to be furnished, that remains unclaimed by the owner for more than two years after termination

of the services for which the deposit or advance payment was made shall be presumed abandoned.

2250. Further, no evidence was provided to confirm Management has complied with Section 19(1) of Unclaimed Financial Assets Authority Act , Cap. 494which states that a holder of assets to which this Act applies shall make all reasonable efforts to locate the owner and to notify the owner about those assets and Section 20(1) of the same Act which states that person holding assets presumed abandoned and subject to the custody of the Authority as unclaimed assets under this Act shall make a report concerning the assets to the Authority as provided in this section.

2251. In the circumstances, Management was in breach of the law.

Management Response

2252. The amount was used to offset the outstanding balances owed by the trainees to the institute as per the Board approval. Trainees' list and Board Minute extract attached.

Committee Observation

2253. The Committee observed that the Institute is in breach of the Unclaimed Financial Assets Authority Act, Cap. 494, by failing to surrender or account for caution money outstanding for over two years, notwithstanding its offsetting usage.

Committee Recommendations

2254. The Accounting Officer must immediately surrender all unclaimed caution money outstanding for over two years to the Unclaimed Financial Assets Authority, strictly adhering to Section 9 of the UFAA Act, Cap. 494.

15.4.18 Lack of Risk Management Policy

2255. The Institute Management had not put in place risk management policy, strategies, and risk register to mitigate against risk. It was, therefore, not clear how the management manages risk exposures. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

2256. In the circumstances, existence of effective risk management measures could not be confirmed.

Management Response

2257. The Risk Management policy is approved and in use.

Committee Observation

2258. The Committee observed that the previous absence of this critical document meant the Institution was vulnerable and unable to demonstrate systematic control over operational and financial exposures.

Committee Recommendations

2259. The Committee recommends that the management must sustain the continuous use and regular review of the newly implemented risk policy.

15.5 Audited statements for Financial Year 2022/2023

15.5.1 Long Outstanding Student Debtors

2260. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.68,401,862 which relates to student debtors as disclosed in Note 18 to the financial statements. However, there is no evidence that recovery efforts have been made. In addition, debtors ageing analysis was not provided for audit review.

2261. In addition, approved debt management policy was not provided for audit review, the institute had no clear way of how it intended to collect the fees due and the mechanisms to put in place in the management of outstanding student debts. Further, provision for bad and doubtful debts was not made in the financial statements.

2262. In the circumstances, the accuracy, validity and recoverability of students' debtors balance of Kshs.68,401,862 could not be confirmed.

Management Response

2263. From the outstanding amount of Kshs. 68,401,862/=, the institute has recovered Kshs. 11,284,000/= from the trainees.

Committee Observation

2264. The persistent lack of a debt management policy, coupled with missing aging analysis, means the Institution cannot demonstrate effective efforts to secure the substantial outstanding student debt.

Committee Recommendations

2265. Management must urgently put into effect a robust debt management and fees collection policy, and simultaneously ensure that provision for bad and doubtful debts is properly included in the financial statements, reflecting strict adherence to sound accounting standards.

15.5.2 Budgetary Control and Performance

2266. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.201,760,000 and Kshs.130,109,644 respectively resulting to an under-funding of Kshs.71,650,356 or 36% of the budget.

Similarly, the Institute spent Kshs.154,158,669 against actual receipts of Kshs.130,109,644 resulting to an over-utilization of Kshs.24,049,025 or 18% of the actual receipts. The under-funding and over-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2267. The numbers of trainees in 2023 was 4,599 and currently the number is at 4,133. This will lead to improvement of fees collection hence will enhance service delivery.

Committee Observation

2268. The Committee observed that there was significant shortfall in expected receipts and the consequent expenditure exceeding actual income demonstrates a critical failure in aligning budgeted activities with available resources, thereby impacting planned public service delivery.

Committee Recommendations

2269. The Committee recommends that the management must consistently review and revise its budget quarterly to reflect realistic income expectations and is further urged to proactively explore and implement alternative income-generating activities to lessen dependence.

15.5.3 Unresolved Prior Year Matters

2270. In the audit report of the previous year, several paragraphs were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Even though Management has provided explanation on the progress made on the recommendations made by the auditors, the issues remain unresolved as at 30 June, 2023, contrary to Section 149(2)(l) of the Public Finance Management Act, Cap. 412A which require Accounting Officers for County Government and County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

2271. The institute appeared before the Public Investments Committee on Wednesday, 19th June, 2024 however, the management has not received any recommendation from the Committee.

Committee Observation

2272. The Committee observed the recurrence of audit issues, despite management reporting progress, suggesting a persistent lack of timely follow-up by the Institution to conclusively resolve prior findings.

Committee Recommendations

2273. The Committee recommends that the Management must urgently implement effective internal controls to guarantee that all recommendations from previous audits are fully implemented and resolved before the next audit cycle.

15.5.4 Assets Register Maintained in Microsoft Excel

2274. Review of assets records revealed that during the year under review, the Institute maintained its Fixed Asset Register using Microsoft Excel spreadsheet. In addition, an ERP system was procured in the financial year 2021/2022. However, the system does not include all necessary modules including fixed assets register.

2275. Maintenance of fixed assets register in Microsoft Excel may expose the Institute's fixed assets to risk of loss or misappropriation.

Management Response

2276. Valuation of assets process is completed and the process of acquiring asset module in the ERP system has been initiated. Attached valuation report and requisition of asset module.

Committee Observation

2277. The Committee observed that the current practice of relying on a Microsoft Excel spreadsheet to manage the Fixed Asset Register, despite having procured an ERP system that lacks the necessary asset module, exposes the Institution's assets to potential loss or misuse.

Committee Recommendations

2278. The Committee recommends that the management must immediately fast-track the acquisition and implementation of the dedicated fixed assets module within the ERP system to ensure accurate tracking and proper control of all institutional assets, strictly complying with Regulation 143(1) of the PFM (National Government) Regulations, 2015.

15.6 Audited statements for the Financial Year 2023/24

15.6.1 Long Outstanding Receivables from Exchange Transactions

2279. The statement of financial position, reflects current portion of receivables from exchange transactions balance of Kshs.88,796,716 which includes student debtors balance of Kshs.88,076,704 and as disclosed in Note 18 to the financial statements. In addition, review of the ageing analysis reveals that the receivables from exchange transactions balance of Kshs.88,796,716 includes a balance of Kshs.26,639,015 which has been outstanding for over three years. Further analysis show that the student debtors increased from Kshs.68,401,862 from the previous year to Kshs.88,076,704 in the year under review by Kshs.20,394,854 (30%). The huge increase in the student debtor's receivables may be an indication of a lack of effective debt collection strategies. However, there was no policy on the impairment of long-standing fees arrears casting doubt on the fair statement of the accounts receivable balance.

2280. In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs.88,796,716 could not be confirmed.

Management Response

2281. From the outstanding amount of Kshs. 88,796,716/= the institute has recovered Kshs. 16,274,287 /= from the trainees. There are measures put in place to collect outstanding receivables which includes development of debt collection policy.

Committee Observation

2282. The Committee observed that the heavy and growing debt from students, particularly older amounts, strongly indicates that the debt collection systems currently in use are not effective, posing a high risk to recoverable revenue.

Committee Recommendations

2283. The Committee recommends that the Management must immediately put into place a clear debt collection policy and work hard to recover all long-outstanding balances to properly account for public money.

15.6.2 Budgetary Control and Performance

2284. The statement of comparison of budgeted versus actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs.242,252,435 and Kshs.227,904,697, respectively, resulting in underfunding of Kshs.14,347,738 or 6% of the budget. The Institute spent Kshs.129,340,513 against actual receipts of Kshs.227,904,697 resulting in an under-utilization of Kshs.98,564,184 or 43% of actual receipts.

2285. The underfunding and underutilization affected the implementation of the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2286. The numbers of trainees in 2024 was 3,839 and currently the number is at 4,133. This will lead to improvement of fees collection hence will enhance service delivery.

Committee Observation

2287. The Committee observed that there is current underutilization of received funds, coupled with the projected receipts shortfall, unfortunately hindered the prompt implementation of planned activities intended for public service delivery.

Committee Recommendations

2288. The Committee recommends that the Management must immediately put controls in place to efficiently spend all actual receipts and actively establish income-generating ventures to reduce reliance on variable government funding.

15.6.3 Unrealized Technical Capitation

2289. Review of capitation records revealed that, during the year under review, the Institute received a capitation grant of Kshs.89,308,116 from the Ministry of Education, Technical and Vocational Department. The National Education Management Information System (NEMIS) reported a total number of three thousand eight hundred and thirty-nine (3,839) students from the enrollment records provided. However, the expected capitation during the financial year was Kshs.115,170,000 resulting in underfunding of Kshs.25,861,884,

2290. In the circumstances, there was negative service delivery to the public.

2291. The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2292. Due to the ministry not releasing the trainees amount as per the trainee's allocation.

Committee Observation

2293. The Committee observed that there was significant shortfall in expected capitation funding directly jeopardizes the planned institutional activities and challenges the delivery of necessary public services.

Committee Recommendations

2294. The Committee recommends that the Management must urgently secure its full allocated funding from the Ministry of Education and simultaneously establish robust internal income-generating activities to avoid reliance solely on government exchequer disbursements.

15.6.4 Unresolved Prior Year Audit Issues

2295. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2024 contrary to Section 31(1)(a) of Public Audit Act, 2015 which states that within three months after Parliament or the County Assembly has debated and considered the final report of the Auditor General and made recommendations, a state Organ or a public entity that had been audited

shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit.

Management Response

2296. The institute appeared before the Public Investments Committee on Wednesday, 19th June, 2024 however we have not received any recommendation from the Committee.

Committee Observation

2297. The Committee observed that the core issue presented relates to the recurrence of audit reservations and the management, in response, stated they had not received recommendations from the Committee following their appearance in June 2024.

15.6.5 Non-Compliance with Staff Ethnic Composition

2298. Review of staff records revealed that the Institute was not in compliance with the staff ethnicity requirement, as stipulated by relevant laws and diversity policies. It was noted that fifty-six percent (56%) of the total workforce of one hundred and nineteen (119) staff members belong to the dominant community, raising concerns about adherence to fair recruitment and inclusivity principles.

2299. Further, the Institute employed fourteen (14) staff during the year. However, seven (7) of those fourteen (14) were from the dormant community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that the staff establishments of public entities are to reflect the diversity of the people of Kenya, with at least 30 % of employees expected to be from other ethnic communities.

2300. In the circumstances, Management was in breach of the law.

Management Response

2301. The composition entails low cadre employee whose pay is relatively low leading to recruitment of the dominant ethnic community; however, there is improvement in the current position as per the table below:

Ethnic Group	No. of Staff	Percentage
Meru	42	58%
Tharaka	6	8%
Embu	1	1%
Kisii	3	4%

Kamba	4	6%
Luo	3	5%
Luhya	1	1%
Kalenjin	4	6%
Kikuyu	7	10%
Turkana	1	1%
Total	**72**	**100%**

Committee Observation

2302. The reliance on a disproportionately high percentage of staff from the dominant community, especially during new recruitment, means the Institution is not effectively observing fair recruitment and inclusivity principles as mandated by law.

Committee Recommendations

2303. Management must institute deliberate and focused recruitment strategies that utilize affirmative action to correct the current imbalance and ensure absolute compliance with Article 232 (1) (h) and (I)(ii) of the Constitution and Section 7(2) of the National Cohesion and Integration Act, 2008, in all future staffing exercises.

15.6.6 Delayed Completion and Handover of Igembe Central Technical Vocational Center

2304. The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.148,993,363 in respect to plant, property and equipment, which includes a balance of Kshs.41,051,775 as additions during the year, and which further includes an amount of kshs.17,809,354 in respect to payments made towards the mentored institution - Igembe Technical Vocational Center. However, the following were observed;

2305. The project was yet to be handed over to the Principal, Igembe Central Technical Vocational Center. However, the scheduled handover that was to take place on 30 April, 2024 never took place, and no substantive explanation was given.

i. Certificate number 9 from Regional works officer indicated that the project was ninety six percent (96%) complete, however, physical inspection of the project in April, 2025 revealed poor work man ship on the floors, walls, electrification system, some sockets were left open, painting and ceiling were poorly done.

ii. The letter dated 18/11/2024 by Mukiria Technical Institute indicated that the

Institution had paid a sum of Kshs.51,008,138 out of the contract sum of Kshs.59,062,877 with retention money Kshs.5,667,571 and thus a balance from the Ministry of Education totalling Kshs.1,666,585 yet to be disbursed. However, there was no evidence of a retention account to confirm the amount deducted and retained in a separate account.

iii. No ownership documents for the land upon which the project was built were provided for the audit.

2306. In the circumstances, the value for money on the Igembe Central Technical Vocational Center payments of Kshs.7,809,354 could not be confirmed.

Management Response

2307. Complete and in use but awaiting handover.

Committee Observation

2308. The Committee observed that the deficiencies in project execution, including poor physical quality and the lack of a proper retention account for contractor funds, raise concerns about ensuring value for money for this new facility.

Committee Recommendations

2309. The Committee recommends that the management must immediately rectify all defective workmanship and urgently acquire the land ownership documents while complying with PFM laws, specifically establishing a dedicated retention account for all withheld contract funds.

15.6.7 Weak I.T Control Systems

2310. Review of Mukiria Training Institute's ICT environment identified critical gaps that could significantly affect operational efficiency, data security, and ICT governance. Key concerns were the absence of a formal cloud data backup system, leaving the Institute vulnerable to data loss in the event of system failures, cyberattacks, or disasters. While manual backups are performed, there are no verification processes to ensure their completeness and recoverability, increasing the risk of permanent data loss.

Management Response

2311. The institute is in the process of initiating the process. Request letter attached.

Committee Observation

2312. The Committee observed that the reliance on untested manual data backup procedures, combined with the lack of a formal cloud storage system, creates a critical vulnerability for essential institutional data.

Committee Recommendations

2313. The Committee recommends that Management must swiftly put in place a dedicated offsite backup solution and establish mandatory testing of all recovery plans to comply with laws governing data integrity and continuity.

15.6.8 Lack of Approved Staff Establishment

2314. During the year under review, the Institute incurred an amount of Kshs.26,461,748 on employee costs. However, the Institute provided unapproved staff establishment contrary to Policy B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans. It was, therefore, not possible to determine whether the institute operated with an optimal number of staff.

2315. In the circumstances, the controls on optimal staff levels could not be confirmed.

Management Response

2316. The institute has an approved Staff Establishment.

Committee Observation

2317. The Committee kindly notes that using an unapproved staff list complicates the process of assuring appropriate staffing levels and maintaining strict control over employee expenditure as required by policy.

Committee Recommendations

2318. The Institute must immediately formalize and implement the approved Staff Establishment document to guarantee all current and future employee costs reflect necessary and efficient staffing levels, ensuring compliance with human resource regulations.

15.6.9 Lack of Staff Medical Insurance

2319. The statement of performance reflects employees' cost amount of Kshs.26,461,748, as disclosed in Note 12 to the financial statements. However, a review of the Institute's expenditure reveals that no medical expenses were incurred on staff medical insurance

during the year. Additionally, there was no provision for staff medical insurance in the

budget and procurement plan.

2320. In the circumstances, actions meant to mitigate health related risks that may impact on employee performance could not be confirmed.

Management Response

2321. All employees are registered under SHA thus Staff Medical Insurance will be considered when funds are available.

Committee Observation

2322. The Committee kindly notes that omitting staff medical insurance from the budget potentially exposes employees to health-related risks, impacting the overall efficiency of the Institution.

Committee Recommendations

2323. Future budgetary planning must prioritize and incorporate comprehensive medical insurance provision for all staff to ensure the Institution adheres to sound financial and human resource policies.

15.6.10 Lack of Deposit or Retention Account

2324. The statement of financial position and as reflected in Note 20 to the financial statements reflects Kshs.148,993,363 in respect to property, plant and equipment, including Kshs.41,051,775, respectively being additions during the year. However, the retention amount deducted at a percentage of 10% from the total cost of the amount payable to the contractors was not credited to the retention account.

2325. In the circumstances, the controls on the retention amount deducted could not be confirmed.

Management Response

2326. The institute is in the process of opening Deposit or Retention Account.

Committee Observation.

2327. The Committee observed that the absence of a specific Deposit or Retention Account prevents effective tracking and confirmation of control over the significant funds deducted from contractors' payments.

Committee Recommendations

2328. The Committee recommends that it is important to have an open dedicated Deposit or Retention Account to ensure the proper segregation and control of retention monies, adhering strictly to the required financial management regulations.

16.0 CHUKA UNIVERSITY

2329. Prof. Henry Mutembei, Vice Chancellor, accompanied by: -

i) John Kirimi - Finance Officer

ii) Stella Kaboria - Legal Officer

iii) Henry Muchiri - Human Resource Manager

Appeared before the Committee to adduce evidence on the audited accounts of Chuka University, on 28th February 2024.

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

16.1.1 Lack of Ownership Documents of Land

2330. As previously reported, the statement of financial position reflects a property, plant and equipment balance of Kshs.5,550,693,142 which, as disclosed in Note 28 to the financial statements, includes an amount of Kshs.1,087,500,000 relating to land. However, the reported value of land included Kshs.25,000,000 relating to land parcel - LR.No. Karingani/Ndagani/741 measuring 1.0 hectares of which the University did not have ownership documents. Although the Management indicated the process of securing the Title was at an advanced stage, no documentary evidence was availed to confirm the status.

2331. In view of the foregoing, the University's property, plant and equipment balance of Kshs.5,550,693,142 as at 30 June, 2019 could not be confirmed as fairly stated.

Management Response

2332. The land in question is a 2.5-acre Parcel no. Karingani/Ndagani /741 that was allocated to the University in 2010. This audit query cuts across financial years of 2018/2019, 2019/2020 and 2020/2021. The insurance of title deed to this land had been complicated by errors in allotment letter by Commissioner of Lands, need to reapply for reallocation due to change of land ownership and the need to regularize ownership through the National Land Commission. The current status is that the University has resolved this matter in 2024 by receiving new allotment letter from the National Land Commission.

Committee Observation

2333. The Committee observed that the university is making efforts to acquire the requisite land documentations for the stated land.

Committee Recommendation

2334. The Committee recommends that the Accounting Officer makes deliberate efforts to obtain ownership documents for untitled land holdings in consultation with the relevant Parent Ministry and Ministry of Lands within three (3) months upon adoption of this report by the House.

16.1.2 Offsetting of Assets and Liabilities

2335. As disclosed in Note 24 to the financial statements, the reported bank and cash balance of Kshs.1,645,614,700 has been arrived at after offsetting the negative cash book balance of Kshs.1,945,264 relating to the Development Account held at Co-operative Bank instead of disclosing the balance under current liabilities as required under Paragraph 48 of International Public Sector Accounting Standards No.1 – Presentation of financial statements.

2336. Under the circumstances, the accuracy of the financial statements could not be confirmed.

Management Response

2337. The query related to the disclosure in our bank balance of cash balance of Kshs.1,645,614,700 in the financial statements which was arrived at after offsetting the negative cash book balance of Kshs.1,645,614,700 relating to the development account held at Cooperative Bank instead of disclosing the balance under current liabilities. The reconciliation query was addressed as evidenced by the provided extract of the amended financial statements on cash and cash equivalent.

Committee Observation

2338. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

16.1.3 Non-Competitive Recruitment of Employees

2339. During the year under review, the University recruited twenty-eight (28) employees. However, review of records in support of the recruitments revealed that five (5) of the positions filled - three nursing officers at grade F, one fire fighter at grade IV and a farm attendant at grade II had not been advertised contrary to Section B.4 of the Public Service Commission - Human Resource Policies and Procedures Manual for the Public Service which provides for advertisement of all vacant posts.

2340. In the circumstances, it could not be confirmed that the recruitment was undertaken on the basis of fair competition and merit.

Management Response

2341. The recruited five (5) employees on short term contract of one (1) year were done to address an expressed human resource gap in critical areas as canvassed in both the Management and Council meetings. The Council had approved the recruitment.

Committee Observation

2342. The Committee observed that there was appointment of a staff contrary to the interviewed position; such that a nursing officer was awarded a security officer position.

Committee Recommendation

2343. The Committee reprimands the Human Resource Officer who was in office at the material time for the irregular appointment and for failing to uphold established recruitment procedures. The Officer should be cautioned and required to adhere strictly to all human resource policies and guidelines to prevent recurrence of such lapses.

16.1.4 Irregular Award of Contracts

2344. Review of records relating to procurement of goods and services revealed that three (3) suppliers of food stuff were awarded contracts for supply of goods with a total value of Kshs.2,841,650. However, the suppliers were not in the University's list of prequalified suppliers for the financial year 2018/2019. Further, there was no evidence to show the suppliers had applied for registration pursuant to Section 71(2) of the Public Procurement and Asset Disposal Act, Cap. 412C.

2345. In view of the foregoing, the competitiveness of the procurements and value for money on the expenditure could not be confirmed.

Management Response

2346. An advertisement for Prequalification of Suppliers in the category of Meat and Perishable stuff had been done in the Nation Daily News Paper and was non-responsive. In order to ensure the Student Mess Operations were not disrupted, the procurement department conducted a local market price and supply chain survey, invited bidders to quote for the supply of the affected stuff and awarded the same within the prevailing market prices.

Committee Observation

2347. The Committee observed 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, Cap. 412A.

Committee Recommendation

2348. 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.

16.1.5 Non-Compliance with Financial Guidelines

2349. The statement of financial performance reflects investment income of Kshs.267,250 (2018: Kshs.54,666,648) representing a decrease of Kshs.54,399,398 or 203%. Available information indicated that in the financial year 2017/2018, the University had invested in fixed deposits amounting to Kshs.600 million, Kshs.160 million and Kshs.250 million in Equity Bank, Family Bank and Co-operative Bank respectively, out of which interest income totalling Kshs.54,666,648 was earned. However, all the deposits were retired towards the end of the financial year 2017/2018 and only Kshs.20,000,000 was invested in Treasury Bills in the financial year 2018/2019. The rest of the funds were held in the banks. The University therefore contravened the guiding principles for cash management which include avoiding accumulation of idle balances as stipulated under Regulation 83 (2) (c) of the Public Finance Management (National Government) Regulations, 2015. The University was also in breach of The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya.

Management Response

2350. The issue was about reduction of investment income by not investing surplus income held in University bank accounts which had been occasioned by the fact that the University engaged in many capital infrastructure projects whose demand would not have been met if funds were held in investments

Committee Observation

2351. The Committee observed that the incompetence and negligence by the management in following the required accounting standards.

Committee Recommendation

2352. The Committee recommends that the Accounting Officer henceforth follows the financial guidelines according to the Public Sector Accounting Standards (PSAS) and as stipulated in the PFM Act, Cap. 412A.

16.2 Audited Statements for Financial Year 2019/2020

16.2.1 Lack of the land ownership documents

2353. As reported in the previous year, Note 29 to the financial statements reflects Kshs.6,139,792,913 in respect to property, plant and equipment which includes Kshs.1,083,957,205 in respect to land which further includes Kshs.25,000,000 in respect to land parcel LR.No.Karingani/Ndagani/741 measuring 1.0 hectares. However, the land parcel does not have a title deed against it in the name of the University. Although the Management indicated the process of securing the title was at an advanced stage, no documentary evidence was provided to confirm the status.

2354. In the circumstances, the ownership of land worth Kshs.25,000,000 as at 30 June, 2020 could not be ascertained.

Management Response

2355. The land in question is a 2.5-acre Parcel no. Karingani/Ndagani /741 that was allocated to the University in 2010. This audit query cuts across financial years of 2018/2019, 2019/2020 and 2020/2021. The insurance of title deed to this land had been complicated by errors in allotment letter by Commissioner of Lands, need to reapply for reallocation due to change of land ownership and the need to regularize ownership through the National Land Commission. The current status is that the University has resolved this matter in 2024 by receiving new allotment letter from the National Land Commission.

Committee Observation

2356. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

16.2.2 Presentation of financial statements

2357. Review of the financial statements for the year ended 30 June, 2020 revealed that the statement of changes in net assets indicated that it is "for the period ended 30 June" instead of "for the year ended 30 June" contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020.

Management Response

2358. This query was due to erroneous entry of the term "period ended" instead of "year ended" in the financial statement due system configuration. The error was promptly addressed through updated system configuration as evidenced in the provided extract of amended entry of financial statement in the line of net assets.

Committee Observation

2359. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

16.2.3 Unsupported rental income receivable

2360. Note 25 to the financial statements reflects Kshs.54,003,756 in respect of receivable from exchange transactions which includes Kshs.14,474,765 in respect to rental income receivable (Kshs.7,196,071 in 2018/2019). However, ageing analysis showing how long the rent has been outstanding was not provided for audit review.

2361. In addition, measures taken by Management to ensure collection of the outstanding rent of Kshs.14,474,765 was not availed for audit review contrary to Regulation 64(1)(a) and (b) of the Public Finance Management (National Governments) Regulations, 2015.

2362. In the circumstances, the University is in breach of the law and the collectability of the outstanding rent of Kshs.14,474,765 is doubtful.

Management Response

2363. This issue relates to rental arrears from tenants occupying our Elimu Plaza asset and cuts across financial year 2019/2020 and 2020/2021. This asset was acquired from Sasini in 2016 together with the tenants there in. Subsequently, the University experienced a rent tussle with the inherited tenants who claimed they had continued paying rent to the account owed by former owner (Sasini Ltd).

Committee Observation

2364. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response and that the tenants have cleared their rental incomes.

16.2.4 Budgetary control and performance

2365. The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects an approved revenue budget of Kshs.2,672,988,403 and actual revenue of Kshs.2,640,238,449 resulting to an under collection of Kshs.32,749,954 or 1%. Of the budget. Similarly, the statement of comparison of budget and actual amounts reflects an approved budgeted expenditure of Kshs.2,672,988,403 and actual expenditure of Kshs.2,542,102,131 resulting to an under expenditure of Kshs.130,886,272 or 5% of the expenditure.

2366. The University underspent by Kshs.130,886,272 of the total budget projection which translated to equivalent services planned but not delivered to the stakeholders.

Management Response

2367. This query related to under-collection and under-absorption of revenue and expenditure respectively. The stated under-collection of Kshs.32,749,954 and under-absorption of Kshs.130,886,272 for the budgeted activities were occasioned lower government capitation and readjustments that happened as a result of the same challenge.

Committee Observation

2368. The Committee observed that capitation remains to be an issue cutting across all learning institutions which negatively impacts service delivery.

Committee Recommendations

2369. The Committee recommends that given the unpredictability of the current funding model, the Committee encourages the Institution to establish and expand alternative income-generating activities to strengthen its cash flow. This will enable the Institution to adopt a more realistic and sustainable approach to budget planning and resource allocation.

16.2.5 Payables/Accruals from exchange transactions

2370. Note 32 to the financial statements shows that the payables / accruals from exchange transactions increased by Kshs.59,105,905 (21%) from Kshs.284,645,339 as at 30 June, 2019 to Kshs.343,751,244 as at 30 June, 2020. No explanation was given as to why the University was not paying its debts as and when they fall due. Further, ageing analysis showing how long the payables have been outstanding was not provided for audit review.

2371. In the circumstances, the validity of the Kshs.343,751,244 in respect to payables/ accruals from exchange transactions as at 30 June, 2020 could not be ascertained.

Management Response

2372. The issue relates to increase in payables/accruals from exchange transactions by Kshs.59,105,905 (21%) - from Kshs.284,645,339 to Kshs.343,751,244 as at 30 June, 2020. This was attributed withheld payables resulting from Student Caution Money, staff on contract gratuity, Contractor Retention Money, Prepaid tuition Income and general creditors which normalized as the payment fell due as evidenced by the provided Exchange Ageing Analysis.

Committee Observation

2373. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

16.2.6 Lack of risk management policy

2374. Review of the University`s Internal controls revealed that the University did not have an approved risk management policy. Further, the management did not provide for audit review evidence of whether the University has documented, identified and assessed risks and controls developed to respond to the risk identified contrary to Regulation 165 of the Public Finance Management (National Governments) Regulations, 2015.

2375. In the circumstances, the University is in breach of the law.

Management Response

2376. The was due to the lack of University Risk Management Policy which has since been resolved as evidenced by the provided Policy.

Committee Observation

2377. The Committee observed that the matter had been resolved as the Auditor-General was satisfied having verified the existence of a risk management policy in places.

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

16.3.1 Lack of land ownership documents

2378. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.2 Inadequate revenue collection measures

2379. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

17.0 EMBU UNIVERSITY

2380. Mr. Daniel Mugendi, Vice Chancellor, accompanied by: -

i) Kiplagat Kotut- Deputy Vice Chancellor
ii) Laureen Kamonjo- Accountant
iii) Purity Chege- Procurement Officer
iv) Murimi Maurice- ICT Officer

Appeared before The Committee to adduce evidence on the audited accounts of Embu University, on 15th November 2023.

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

17.1.1 Material Uncertainty Related to Going Concern

2381. As disclosed in Note 37 to the financial statements, the statement of financial position reflects a balance of Kshs. 81,560,000 under non-current liabilities relating to CBA refunds. The CBA refund represents the balance of Kshs. 106,000,000 received from the Ministry of Education in 2012/2013 and 2013/2014 financial years for CBA implementation. However, the Ministry of Education later directed the University to refund the money, out of which the University refunded a sum Kshs. 24,440,000 leaving a balance of Kshs.81,560,000

2382. Although, the statement of financial position reflects Kshs. 98,482,926 in respect to total current liabilities and Kshs 106,053,104 in respect to total current assets and therefore reflecting a positive working capital, the University is at risk of having liquidity problems that would threaten its going concern if the Ministry of Education demands the Kshs. 81,560,000 in respect of the outstanding CBA refund.

2383. In the circumstances, the going concern of the University is based on the assumptions that the University will continue getting financial support from the National Government and creditors.

Management Response

2384. The debt is still outstanding. However, we wrote to the PS Ministry of Education, State department of Higher Education and Research, seeking assistance to clear the debt.

Committee Observation

2385. The Committee observed that the National Treasury was to help the University clear the debts since they have been long outstanding however, nothing has been done so far.

Committee Recommendation

2386. The Committee recommends that within three (3) months of adoption of this report by the house, the University to develop and implement a structured debt repayment plan for the outstanding CBA refund of Kshs.81,560,000, in consultation with the Ministry of Education and the National Treasury.

17.1.2 Budgetary Control and Performance

2387. The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects budgeted revenue of KShs.1,162,994,197 and actual revenue of KShs 1,098,116,850 resulting to a net revenue shortfall of KShs.64,877,348. Similarly, the statement reflects a budgeted

expenditure of Kshs.1,162,994,197 compared to an actual expenditure of Kshs.1,209,675,783 resulting to a net over-expenditure of Kshs. 46,681,586.

2388. The University overspent on its budget without approval contrary to Regulation 44 (2) of the Public Finance Management (National Government) Regulation, 2015 which states that National Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the Contingencies Fund, or supplementary estimates.

2389. The University was therefore in breach of the Regulations.

Management Response

2390. Out of KES 64,877,348 revenue shortfall reported, KES 42,813,055 was a receivable from the Exchequer which had not been disbursed by the end of the year. The difference of KES 22,064,293 was a shortfall in our internal revenue collection.

2391. On the expenditure side, the noted variance resulted from payments made to the contractor who was at that time building for us the New Administration Block, and also the cost of purchasing office equipment and furniture for the building. At that time, the University was facing an acute shortage of office space. The Management therefore requested the contractor to increase capacity in a bid to completing and handing over the building during the year. In the process, the value of the work done surpassed the budget for the year. The University used past savings and money from other votes to pay the contractor.

2392. Budgetary controls in place were adhered to in the subsequent years, to prevent budget over expenditure.

Committee Observation

2393. The Committee observed that the institution spent money without approval from the National Treasury which is against the regulations.

Committee Recommendation

2394. The Committee reprimands the Accounting Officer for failing to act within the stipulations of the law.

17.1.3 Endowment Fund Accounts

2395. The statement of financial position reflects a balance of Kshs. 32,495,959 under payables from non-Exchange transactions which, as disclosed in Note 30 to the financial statements, includes an amount of Kshs.16,785,574 in respect of Endowment Fund. The Endowment Fund was established

by the University in September, 2016 as an alternative source of funds but came into operations in October, 2018. However, although the University was granted authority by The National Treasury to open and operate a bank account for the Fund at Equity Bank, the University did not open the account but deposited collections amounting to Kshs. 16,785,574 in the University's Kenya Commercial Bank (KCB) operations account number 1141890933. Further, the University does not have a policy or guidelines in place management of the funds.

2396. In the circumstances, the regularity of the operations of the University's Endowment Fund could not be confirmed.

Management Response

2397. Approval to open the account was communicated to the Vice-Chancellor by the Chief Administrative Secretary and Principal Secretary, State Department for University Education and Research, through a letter dated 12th April, 2019, Ref: MOEST/FIN/11/40/VoL.V/ (67) on Authority to Open Bank Accounts at Equity and KCB Accounts.

2398. The observed delay in opening the account was occasioned by the need to open and operationalized the account at the new the financial year 2019/2020.

2399. The account was opened on 18th July 2019.

2400. The University has an approved policy and guidelines in place, signed on 28th June, 2019.

Committee Observation

2401. The Committee observed that the institution raised funds without an account in place thus the money was channelled to a different account contrary to the stipulations of the law.

Committee Recommendations

2402. The Committee recommends the Accounting Officer to henceforth observe the stipulations of the law.

17.1.4 Presentation of Financial Statements

2403. The Public Sector Accounting Standards Board (PSASB) template issued in June, 2019 stipulated that the University's statement of cash flows for the year ended 30 June, 2019 should reflect the cash and cash equivalents balance as at 1 July, 2018 and cash and cash equivalents balance as at 30 June, 2019. However, the University has not reflected the cash and cash equivalents balance of KES 74,793,328 as at 1 July, 2018 in the statements of cash flows for the year under review.

2404. In the circumstances, the University's statement of cash flows is not prepared in accordance with the prescribed PSASB format.

Management Response

2405. This was a regrettable error which was rectified in the subsequent year.

Committee Observation

2406. The Committee observed that errors occasioned in the financial statement could create a loophole for embezzlement of funds.

Committee Recommendation

2407. The Committee recommends reprimanding the accountant within the institution for negligence in observing the financial statements.

17.1.5 Overdrawn Bank Account

2408. Section 28(4) of the PFM Act, Cap. 412A provided that an Accounting Officer for a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a Board of a national government entity. However, the statement of financial position reflects an overdrawn bank account balance of Kshs.52,166,353 under current liabilities. Although Management has explained, in Note 28 to the financial statements that the overdrawn bank account was as a result of delayed transfers to the account and Exchequer releases not received at the close of the financial year, authority to overdraw the account was not provided for audit.

Management Response

2409. This was a typing error. The correct position is that we had an overdrawn cash book and not an overdrawn bank account.

2410. The bank balance confirmation certificate as at 30th June, 2019 shows that the account had a positive balance of KES 41,234,978.25

2411. The University uses accrual method of reporting. This means that the University recognizes expenditure when incurred and not when paying for it. As the year came to an end, the University had received several invoices, which were processed and cheques written to university had received several invoices, which were processed and cheques written to cheques were released in the subsequent months after the University progressively received revenues from various sources.

2412. To address the problem, the University later adopted use of internet banking for all payments. The method requires the relevant bank account to have enough money, for payments to go through.

Committee Observation

2413. The Committee observed that errors occasioned in the financial statement could create a loophole for embezzlement of funds.

Committee Recommendation

2414. The Committee recommends reprimanding the accountant for negligence.

17.1.6 Increase in Fees Receivables

2415. As disclosed in Note 20 to the financial statements, the statement of financial position reflects a balance of Kshs 27,269,404 under receivables from exchange transactions which includes an amount of Kshs.27,247,198 in respect to fees receivables which increased by KES 22,707,198 or 500% from the balance of Kshs 4,540,000 reported in the previous year. The significant increase in fees receivables could be an indication of weak internal controls in fees collection which if not addressed, could affect the liquidity of the University in future.

Management Response

2416. The observed increase in fee receivables was occasioned by time difference between financial and academic years. A financial year runs from July to June, while an academic year runs from September to August.

2417. The University admitted students during the May, 2019 intake (trimester). At that time, the financial year was coming to an end. The admitted students were invoiced fee upon registration for the semester. However, majority of them had not paid fee by the end of the financial year. The amount due was reported as a receivable as at 30th June, 2019. In the previous financial year (2017/2018), we did not have a trimester. That is why the fee receivable figure was higher in the year 2018/2019.

2418. The reported outstanding balances was cleared by mid- August, 2019.

Committee Observation

2419. The Committee observed that pending school fees had subsequently been cleared therefore the issue stands resolved.

17.2 <u>Audited Statements for Financial Year 2019/2020 (Unqualified Opinion)</u>

17.2.1 Budgetary Control and Performance

2420. The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.1,202,153,904 and actual revenue of Kshs. 1,192,970,067 resulting to a net revenue shortfall of Kshs. 9,183,837. Similarly, the statement reflects a budgeted expenditure of Kshs 1,202,153,904

and actual expenditure of Kshs 1,189,206,667 resulting to an under expenditure of KES 12,947,237. The budget deficit and under-expenditure may have affected the planned activities of the University.

2421. As was observed by the audit team, the University was able to realize KES 1,192,970,067 out of the KES 1,202,153,904 that was in the budget. This translates to budgetary performance of 99%. The noted revenue shortfall was occasioned by the closure of the University due to the COVID 19 Pandemic.

2422. With regard to the expenditure, the under expenditure was partly occasioned by revenue shortfall and partly by closure of the University due to COVID 19 Pandemic.

Committee Observation

2423. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

17.2.2 Overdrawn Bank Account

2424. The statement of financial position reflects an overdrawn bank account balance of Kshs 18,543,164 under current liabilities. This is contrary to Section 28(4) of the Public Finance Management Act, Cap. 412A which provides that an Accounting Officer for a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a Board of a national government entity. Although Management has explained, in Note 28 to the financial statements, that the overdrawn bank account was as a result of delayed transfers to the account and Exchequer releases not received at the close of the financial year, authority to overdraw the account was not provided for audit.

Management Response

2425. This was a typing error. The correct position is that we had an overdrawn cash book and not an overdrawn bank account.

2426. The bank balance confirmation certificate as at 30th June, 2020 shows that the account had a positive balance of KES 68,915,012.95. The University uses accrual method of reporting. This means that the University recognizes expenditure when incurred and not when paying for it. As the year came to an end, the University had received several invoices, which were processed and cheques written to settle them. The overdrawn amount in the cash book represents unpresented cheques. The cheques were released in the subsequent months after the University progressively received revenues from various sources.

2427. To address the problem, the University later adopted use of internet banking for all payments. The method requires the relevant bank account to have enough money, for payments to go through.

Committee Observation

2428. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

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

17.3.1 Unreconciled Variances between ledger and the Enterprise Resource Planning balance

2429. Review of the ledger balances against the Enterprise Resource Planning (ERP) system revealed the following variances. Eleven (11) ledgers extracted from the ERP system indicated total amounts of KES 40,650,879 while the ledgers provided for audit for the same components indicated total amounts of Kshs 43,976,738 resulting in unexplained and unreconciled variances of KES 3,325,859 as follows:

Item	**ERP System Balances**	**Ledgers provided**	**Variation**
Electricity	8,956,240	9,311,967	(355,727)
Exam moderation & Supervision	4,676,842	5,389,342	(712,500)
Gas & Charcoal	636,100	596,600	39,500
ICT Expenses	618,221	593,327	24,894
Exhibitions	60	88,220	(88,160)
Other office expenses	1,999,226	2,173,340	(174,114)
Consultancy Services	1,159,426	1,153,708	5,718
Student Awards and Bursaries	3,646,744	2,500,000	1,146,744
Transport Operating	5,382,938	5,362,224	20,714
Protective Gear	346,603	326,372	20,231
Performance Management	40,000	3,293,192	(3,253,159)
Total	**40,650,879**	**43,976,738**	**(3,325,859)**

2430. As a result, the accuracy and validity of the ledger balances could not be confirmed.

Management Response

2431. During the year under review, the University maintained both manual and ERP System generated ledgers. The manual ledgers were used both for preparation of financial statements, as well for testing and validating the accuracy of the ERP ledgers. The System was at implementation stage at that time, and had not been signed off

2432. The variances were resolved as customization of the System progressed, and eventually automation process completed.

2433. The ERP was commissioned on February 28th 2022, and a Service Level Agreement signed between the University and the vendor.

2434. The System is currently in use and working well.

Committee Observation

2435. The Committee observed that the system is currently working thus the issue stands resolved.

17.3.2 Unsupported student awards and bursaries

2436. The statement of financial performance reflects general expenses amount of Kshs. 176,982,331 and as disclosed in Note 21 to the financial statements. Included in this amount is student awards and bursaries amount of Kshs 2,500,000 disbursed to various beneficiaries during the year under review. However, records on the award of the bursaries, including the names of the applicants and beneficiaries, award criteria and the vetting committee's minutes, were not provided for audit review.

2437. As a result, the accuracy, completeness and validity of the awards could not be confirmed. Further, it was not possible to confirm whether the bursaries were awarded to the most deserving applicants and were utilised for the intended purposes.

Management Response

2438. The required documents to support the bursary awards were availed to the auditors, and copies were provided for verification.

Committee Observation

2439. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

17.3.3 Biological Assets

2440. The statement of financial position reflects biological assets balance of Kshs.9,457,630, as disclosed in Note 28 to the financial statements. However, audit review of records on the balance revealed the following anomalies:

(i) The method applied in valuing the biological assets was not disclosed. As such, Management could not explain the increase in the value of biological assets by Kshs. 2,287,455 during the year under review.

(ii) Three (3) heifers were reported to have been slaughtered during the year under review. However, Management did not provide records to confirm the quantity and value of meat realized from the carcasses.

(iii)A six-year-old cow was reported to have died on 26 January, 2021. Management did not provide for audit the death certificate indicating the cause of death.

(iv)Farm registers with records of acquisition, dates of birth, vaccinations and periodic weight measurements of livestock assets were not provided for audit.

2441. In view of these anomalies, the accuracy, completeness and valuation of the biological assets balance of KES 9,457,630 as at 30 June, 2021 could not be confirmed.

Management Response

2442. Valuation method applied is fair value methodology as stated in the valuation report. The method was also disclosed in the financial statements in the subsequent year.

2443. Relevant records to confirm the quantity and value of meat realised from the carcasses of the heifers slaughtered were provided to the auditors.

2444. Death certificate from a veterinary doctor to confirm death was provided for verification.

2445. The matter was addressed in the subsequent year. The University introduced a card for every animal capturing all the required information. The cards were provided to the auditors, and copies of the same were provided for verification.

Committee Observation

2446. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

17.3.4 Unauthorized expenditure on procurement of Foodstuffs

2447. The Statement of financial performance reflects an amount of KES 176,982,331 in respect of general expenses. Included in the amount and as disclosed in Note 21 to the financial statements is

KES 23,400,570 incurred on foodstuff. This exceeded the budget amount of KES 15,000,000 by an amount 8,400,570. Management did not provide the Council approval for the over expenditure or reallocation of funds.

2448. In the circumstances, the validity of the over expenditure could not be confirmed.

Management Response

2449. The observed over expenditure resulted from an error of omission, where the University did not include in the budget for the year, agricultural produce that was transferred to the kitchen from the farm. The error was corrected by factoring the transfers in the budgets of the subsequent years.

Committee Observation

2450. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

17.3.5 Irregularly overdrawn Cashbook

2451. The statement of financial position and as disclosed in note 31 to the financial statements reflects an overdrawn cashbook balance of KES 5,921,979. Management did not provide approval from the University Council or the National Treasury in support of the overdraw. This was contrary to Section 28(4) of the Public Finance Management Act, Cap. 412A which provides that an Accounting Officer for a National Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury, or the Board of the entity.

2452. Consequently, the Management was in breach of law and the overdrawing of the account was irregular.

Management Response

2453. The bank balance confirmation certificate as at 30th June, 2019 shows that the account had a positive balance of KES.90,996,954.89

2454. The University uses accrual method of reporting. This means that the University recognizes expenditure when incurred and not when paying for it. As the year came to an end, the University had received several invoices, which were processed and cheques written to settle them. The overdrawn amount in the cash book represents unpresented cheques. The cheques were released in the subsequent months after the University progressively received revenues from various sources.

2455. To address the problem, the University later adopted use of internet banking for all payments. The method requires the relevant bank account to have enough money, for payments to go through.

Committee Observation

2456. The Committee observed that the matter has been addressed in previous financial year and reiterates its recommendations.

17.3.6 Delayed Implementation and Commissioning Enterprise Resource Planning System

2457. The University entered into a contract for the supply, installation, testing, training, commissioning and maintenance of an enterprise resource program (ERP) Software in June, 2018 at accost of Kshs 23,971,500 for a period of one year. The contract completion period was extended on three occasions on 19 June, 2019, 19 February, 2020 and 26 June, 2020. Management did not provide for audit documents and explanations in support of the contract extension.

2458. Expenditure recorded indicated that Kshs 13,715,000 had been spent on procurement of the ERP software as at 30 June, 2021 which was reported under work-in-progress. However, at the time of the audit in September, 2020, the project had not been completed.

2459. Consequently, the validity of the extension of the contract could not be ascertained and value for money has not been realised in the implementation of the ERP System.

Management Response

2460. Delay in delivering the ERP system was brought about by a number of emerging factors during the year, as detailed below. Some of the factors were unforeseen, and beyond the control of the University, as well as the Vendor.

(i) Closure of the University/Business due to COVID 19 Pandemic

2461. The closure of the University caused a major delay in the implementation and delivery of the project, as the University was not in physical operation for about one year. The Vendor had also closed their offices due to the Pandemic. With the closure of the two institutions, there was nothing much that could be achieved, as business processes, implementation, trainings, roll out of new customizations and updates were all halted.

(ii) Training

2462. To ensure complete and thorough knowledge transfer, the implementing team had to embark on comprehensive and flexible training programmes for all users of the system that resulted in the pushing of certain timelines. For example, training took place at a time when students were in session. Availability of academic staff became a key challenge. Consequently, training users took longer than initially planned, occasioning some delay.

(iii) Setup of Virtual Private Network (VPN) with Banks

2463. The setup of VPN configurations with University banks took more time than previously planned for, due to certain technological constraints brought about by stringent procedures needed when applying for Bank integrations and Application Programming Interface (API) connections with financial institutions. There was also need to upgrade the University VPN and APIs with KENET- our network provider. This also created a delay in the delivery of the system.

(iv) Release of new system architecture

2464. In the course of the System implementation, and as part of the System enhancement, the Vendor released a new system architecture (Patch 2.7), which was better and had more features. The release of the new system architecture necessitated re-training of most users, thus extending the delivery period of the system.

2465. Final system sign-off and hand over was achieved in February 28th 2022, where the University proceeded to a service level agreement. The system is currently in use and working well.

2466. Necessary documents to support contract extension were provided to the auditor.

Committee Observation

2467. The Committee observed that the ERP System is currently in place therefore the issue stands resolved.

17.3.7 Delayed Construction of Auditorium and Lecture Hall

2468. Note 27 to the financial statements reflects KES 546,420,213 under capital work in progress, which includes KES 20,892,961 incurred on a proposed auditorium and lecture classroom. An addendum to the contract signed in June 2018 indicated that the project was to be completed by 13th July, 2019 at the cost of KES 40,405,020. However, at the time of audit in October, 2021 the project had not been completed in spite of the expenditure of KES 20,892,961 incurred during the year. Further, the actual value of the work done could not be confirmed as the respective works certificates were not provided for audit.

2469. In addition, although the contract provided for liquidated damages totalling to KES 60,000 for each week of delay in completing the project there was no record of Management having asked to be compensated by the contractor.

2470. In view of the delay, the project's expected benefit to the University and its students had not been realized.

Management Response

2471. The delay in completing the project was caused partly by slow pace of the contractor and partly by COVID 19 Pandemic.

2472. The slow performance resulted to termination of the contract by the University on 21st November 2019.

2473. Upon the termination, the Contractor (Supreme Developers Ltd) declared a dispute against the Employer (University of Embu); which the parties (Contractor and Employer) negotiated a settlement and reached certain agreements and settlement terms for resumption of work. Among others, the Employer was required by clause B3 of the addendum to the contract, to withdraw in writing, claims for liquidated and ascertained damages against the Contractor.

2474. In adherence to clause B3 of the addendum to the contract, the Employer withdrew in writing all claims for liquidated and ascertained damages vide a letter dated 12th May 2020.

2475. Upon signing of the addendum and resumption of works, the revised intended completion date was 24th January 2021. However, by the time the intended completion date lapsed, the Contractor had not made significant progress. A decision was therefore made to terminate the contract with effect from 9th February, 2021.

2476. The Contractor vide a letter dated 20th July 2021 declared a dispute and requested for settlement through arbitration. The matter is still in arbitration and yet to be determined. The counterclaim for the University includes liquidated damages in the amount of KES. 137,143, due to the delays by the Contractor.

2477. In addition to the above and pursuant to sections 142(2) and 144(2) of the Public Procurement and Asset Disposal Act, Cap. 412C. The Employer seized the performance security issued by the Contractor in the amount of KES4,040,503.

2478. The project is now complete and in use.

Committee Observation

2479. The Committee observed that the project is currently and in use therefore the issue stands resolved.

17.3.8 Non-rotation of suppliers in framework contracting in the supply of foodstuff

2480. The University advertised for the supply and delivery of dry foodstuffs and perishables, groceries, meat and meat products respectively, using the framework agreement method of procurement. Three tenderers being the lowest bidders were recommended and awarded the tender in November, 2020.

2481. However, the procurement unit continue to award the tenders to one of the suppliers despite the three bidders having been evaluated and recommended to supply the respective items they had bid for. Management did not provide reasons for giving preference to only one of the three bidders, for all the supplies throughout the year.

2482. In the circumstances, award of the tenders to one firm was irregular and may have resulted in uneconomic use of public funds.

Management Response

2483. The award was done as per Section 86(1)(a) of the Public Procurement and Asset Disposal Act, Cap. 412C and per the Public Procurement and Asset Disposal Regulations (2020), to the lowest evaluated bidders in each tender.

2484. Documents showing that we did not give preference to only one bidder were provided to the auditors.

Committee Observation

2485. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

17.3.9 Irregular Procurement of Group Life Insurance

2486. The University Management entered into a contract for provision of services on group life insurance through restricted tendering. This was contrary to Section 102 of the Public Procurement and Asset Disposal Act, Cap. 412C which provides that an Accounting Officer of a procuring entity may use restricted tendering if the contract is of complex or specialized nature; the time and cost required to examine and evaluate a large number of tenders would be disproportionate to the value of goods, works or services to be procured; or if there is evidence to the effect that there are only few known suppliers of the whole market of goods, works or services. Management did not provide evidence in support of procuring the services through restricted tendering method.

2487. In view of the above, Management was in breach of law and value for money may not have been realized on the contract.

Management Response

2488. The University used restricted tendering method under Section 102(1)(b) of the Public Procurement and Asset Disposal Act, Cap. 412C because the estimated value of the tender was Kshs. 700,000 and therefore would not be cost effective to advertise in the newspaper.

Additionally, evaluating large number of bids would not be efficient due to the long-time used in the evaluation process of insurance tender documents.

2489. Documents to support the process were availed to the auditor.

Committee Observation

2490. The Committee observed that the necessary documentations were provided and the Auditor General was satisfied with the responses thus the issue stands resolved.

17.3.10 Lack of Public Finance Management Standing Committee

2491. During the year under review, the University did not have a Public Finance Management Standing Committee in place. This was contrary to Regulation 18(1) of the Public Finance Management (National Government) Regulations, 2015. The Regulation Requires Management in every National Government entity to establish a committee to be known as the Public Finance Management Standing Committee to provide strategic guidance to the entity on public finance management matters.

2492. In the circumstances, Management was in breach of the law.

Management Response

2493. The Committee was formed and operationalised.

Committee Observation

2494. The Committee observed that the Committee was constituted and operationalised as per the law therefore the issue stands resolved.

17.3.11 Irregular Access to software system by outsiders

2495. Review of the software system used by the University indicated that five (5) of the system's developers who were not employees of the University retained unhindered access to the system even after handing it over to the University. Therefore, the system's security may be compromised since the developers could log in and initiate transactional or other activities independently.

Management Response

2496. During project initiation, it was agreed that the developers and implementation engineers will have supervised system access until full system sign-off in the project expectation matrix document.

2497. The developer having full access rights presented no risk to the University, since the system can only be accessed on our LAN and Administrators VLANs. To note, the system is not web-based and can only be accessed from the University internal network. The internal network has high end firewalls which control the traffic both in and out of the Network. No external party including the

developer's personnel, can access the system unless they are given the rights to do so, through TeamViewer or Any Secure Desk applications.

2498. In addition, it was necessary for the vendor developers to have system rights because we were yet to sign-off with them on the system implementation and delivery, and also considering that we needed their support services to complete implementation.

2499. Having access using their accounts enabled the University ICT team to track all their activities in the System, as the System has detailed user audit logs. Also, the Vendor team needed access to the system so as to login into the test environment where all testing and training is done before roll out of any updates. Please note that, the system has a detailed, elaborate and very secure audit trail. This enables us to verify and validate all business transactions that take place within the system.

2500. After the system sign-off was achieved, all vendor accounts were disabled and are only enabled when whenever support is needed from the vendor.

Committee Observation

2501. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

18.0 MACHAKOS UNIVERSITY

2502. Prof. Joyce Agalo, Vice Chancellor, accompanied by: -

i) Mr. Mumbi Mwihuri- Head Legal Affairs

ii) Alice Njeri- Procurement Officer

iii) Mr. Francis Wambua- Chief Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Machakos University, on 15th November 2023.

18.1 Audited Statements for Financial Year 2018/2019

18.1.1 Un-accounted for Contractors Retention

2503. The Trade and Other Payables balance included Kshs.37,510,526 relating contractors' retention. The contractors' retention balance as at 30 June, 2021 was Kshs.37,510,526 but the National bank development account which held deposits of retention funds had a balance of Kshs.7,012,134 as at the same date resulting in a difference of Kshs.30,498,392. Management explained that the University spent part of the funds to pay contractors following delayed exchequer to avoid penalties and interest. However, no documents were provided to indicate when the amounts were

withdrawn, utilized and related approvals from the University council. Therefore, the accuracy and completeness of contractors' retention balance could not be confirmed.

Management Response

2504. The allocated budget for the Tuition and Office Block for the FY2020/2021 was reduced from Kshs.148,060,889 to Kshs.74,030,444 when the University had spent based on the initial approved budget. The University used the retention funds to pay the pending certificates to avoid incurring penalties and interests awaiting development funds which were not received before the financial year end as expected. The funds were transferred from the development account and utilized to pay certificates number 22 to 25 as shown in the table below:

Date	Amount Transferred	Amount paid to contractor and taxes	Name of Contractor	Certificate Number
04/05/2021	15,436,402.25	3,256,044.40	Gilfian Air Conditioning Ltd	25
		12,180,357.85	Vaghjiyani Contractor Ltd	25
14/04/2021	329,685.30	329,685.30	Odd-mac Engineering Ltd	24
25/01/2021	13,412,419.30	1,314,000.00	Realtech Plumbers	23
		650,016.00	Trident Plumbers Ltd	23
		11,448,403.30	Vaghjiyani Contractor Ltd	23
04/12/2020	14,151,104.20 (deficit was 1,319,885)	13,242,257.20	Vaghjiyani Contractor Ltd	22
		908,847.00	Trident Plumbers Ltd	22

2505. The funds were transferred back to the development account on 25th November 2021 and 13th May 2022 when the capital grants were received.

Committee Observation

2506. The Committee observed that the project was done in 2 phases following the correct procedures. The project is currently complete and the building being occupied by students thus the matter has been resolved.

18.1.2 Lack of Staff Ethnicity Balance

2507. The University had 504 employees out of who 293 representing 58% were from the local dominant community. The University was in breach of the law, Section 7(2) of the National Cohesion and Integration Act, Cap. 7N.

Management Response

2508. Machakos University had 325 members staff in 2012 inherited from the former Machakos Technical Training Institute; out of which 245 were members from the local community (75%) and majority of them were from the lower cadre.

2509. Over the years, the University tried to bring the local community dominance from 75% to 58% as at the end of 2020/2021 financial year through exits and new appointments.

2510. The composition of staff who were in service in 2012 and have exited without replacement is shown in the table below:

Ethnicity	No. of exits without replacement	Percentage
Kamba	53	79.10
Kikuyu	8	11.94
Luhya	2	2.99
Luo	3	4.48
Meru	1	1.49
Totals	**67**	**100.00**

2511. The composition of staff recruited since 2018 when the University started recruitment of staff after its chartering is shown in the table below:

Ethnicity	2018	2019	2020	2021	Total	Percentage
Kamba	16	13	0	0	29	30.2
Kalenjin	4	0	0	0	4	4.2
Kikuyu	11	4	1	1	17	17.7
Kisii	4	2	0	0	6	6.3
Kuria	1	0	0	0	1	1.0

Ethnicity	2018	2019	2020	2021	Total	Percentage
Luhya	13	4	0	0	17	17.7
Luo	7	2	0	0	9	9.4
Meru	2	2	1	0	5	5.2
Mijikenda	0	1	0	0	1	1.0
Taita	1	0	0	0	1	1.0
Teso	1	0	0	0	1	1.0
Embu	5	0	0	0	5	5.2
Totals	**65**	**28**	**2**	**1**	**96**	**100.0**

Committee Observations

2512. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the Section 7 (1) & (2) of the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee recommendation

2513. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report.

18.1.3 Unapproved commitments after 31 May

2514. The University entered into 77 commitments (LPOs) amounting to Kshs.8,926,809 in the month of June 2021 without approvals in writing from the Accounting Officer contrary to the provisions of Regulation 51(1) of the PFM (National Government) Regulations, 2015. Therefore, the University was in breach of the law.

Management Response

2515. The procurement relating to these commitments was budgeted and planned for in the annual procurement plan. The requests to commit (LPOs) were approved by the Accounting Officer in writing through the Purchase Requisition prior to generating the LPO. Majority of these

commitments related to students' examination materials, medical expenses and food stuffs for student cafeteria.

2516. The University management appreciates the efforts done by the Auditor General in providing assurance on financial statements, compliance to law and recommendations on improvement of internal controls.

2517. The University will continue implementing the Auditor's recommendations and work towards having Un-qualified audit opinions and embrace the zero-based Audits.

Committee Observation

2518. The Committee observed that the requisite purchase requisitions were provided for verification indicating the approvals made thus the issue is resolved.

18.2 Audited Statements for Financial Year 2019/2020

18.2.1 Adoption of the Annual Report by the University Council

2519. The Statements of the Chairman's and that of the University Council responsibilities at pages xii and lvi of the annual report were not signed by the Chairman contrary to section 81(3) of the Public Finance Management Act, Cap. 412A which states that 'The accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.' Management however, indicated that the term of the Council lapsed on 14 August, 2020 before the annual report and financial statements were signed and will therefore await the appointment of the next council.

2520. To the extent, the ownership by the University Council of the financial statements prepared and presented for the year ended 30 June, 2020 and compliance with the Act could not be confirmed.

Committee Observation

2521. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

18.2.2 Trade and Other Receivables

2522. The statement of financial position reflects trade and other receivables balance of Kshs.271,912,336;(2019-Kshs.179,141,263) and as disclosed under Note 16 to the financial statements. A review of the schedules provided in support of the balance revealed the following anomalies:

(i) Erroneous Intra-University Trade Receivable Balance

2523. Included in the trade receivables balance is intra-university receivable balance of Kshs.2,288,480 which ought to have been excluded in the trade and other receivables balance. Management explained the debt arose from meals provided by a hotel operated as an income generating project. However, the hotel is owned by the University and does not prepare accounts separately.

2524. Consequently, the accuracy, and completeness of the trade and other receivables balance of Kshs.271,912,336 as at 30 June, 2020, could not be confirmed.

Committee Observation

2525. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

(ii) Failure to Comply with the Employment Act on Deductions

2526. The statement of financial performance reflects employment costs of Kshs.1,102,821,833 and as disclosed under Note 9 to the financial statements. Scrutiny of the University's payrolls for the year under audit revealed that two hundred-and-twenty (220) employees were earning net salaries of below a third of their basic salaries. This is contrary to the provisions of section 19(3) of the Employment Act, Cap. 226 which stipulates that total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

2527. In the circumstances, the University was in breach of the law.

Committee Observation

2528. The Committee observed that the University employees were earning below a third of their basic salaries which is contrary to the provisions of Section 19(3) of the Employment Act, Cap.226.

Committee Recommendation

2529. The Committee therefore reprimands the Accounting Officer for the breach of Section 19(3) of the Employment Act, Cap.226.

18.2.3 Projects Implementation

2530. The statement of financial position reflects Property, Plant & Equipment (PPE) balance of Kshs.2,773,185,154; (2019-Kshs.2,690,706,306) and as disclosed under Note 15 to the financial statements. However, the following anomalies were noted:

(i) Delayed Completion of Tuition and Office Block

2531. Included in the balance is Work-in-Progress of Kshs.347,075,206 is Kshs.351,345,606 relating to ongoing works on tuition and office block. The contract for the construction was awarded on 6 July, 2017, at a sum of Kshs.986,761,115 over a 3 years period. However, as at the time of this audit in October, 2020, the project was at 54% completion level, 3 months after the lapse of the contract period. A review of the approved budget for the year under review, revealed that only Kshs.70,390,829 had been allocated to the project which is inadequate to cover the outstanding contract sum of Kshs.639,685,909.

2532. In the circumstances, the project implementation is behind schedule and the likelihood for cost escalation may hinder the University to obtain value for money from the investment.

Committee Observation

2533. The Committee observed that the project is complete however, the institution was behind schedule and with inflation leading to lack of value for money.

(ii) Delayed Implementation of Sports and Games Facility

2534. The Work-in-Progress (WIP) includes an amount of Kshs.1,723,600 in respect to construction of a sports and games facility which had no budgetary allocation. No works were carried out during the year. Management explained that approval which was earlier given by the National Environment Management Authority (NEMA) was withdrawn by Water Resource Authority (WRA) on the basis that an environmental impact assessment report on the proposed project did not explain how it would interact with the riparian land.

2535. It was therefore, not clear if the project will be approved for implementation by the Authority and whether value for money will be realized from the amount incurred of Kshs.1,723,600 on preliminaries.

Committee Observation

2536. The Committee observed that the institution started a project which they had no budgetary allocation which is against the law.

Committee Recommendation

2537. The Committee reprimands the Accounting Officer for the executing a project without budgetary allocation which was against the law.

18.2.4 Long Outstanding Receivables

2538. The statement of financial position reflects trade and other receivables balance of Kshs.271,912,336;(2019-Kshs.179,141,263) and as disclosed under Note 16 to the financial statements. Included in this balance are student fees arrears amounting to Kshs.131,192,932 out of which Kshs.49,149,961 has been outstanding for over five (5) years with some dating back to 2010. Also included in the balance is Kshs.65,332,930 in respect of trade debtors out of which debts amounting to Kshs.15,664,304 has been outstanding for over (2) years with some dating back to 2013.

2539. Although provision for bad and doubtful debts of Kshs.25,935,390 has been made against the trade and other receivables, there is no evidence of tangible efforts being undertaken by Management towards recovery of the long outstanding debts.

2540. Consequently, the accuracy, and fair statement of the trade and other receivables balance of Kshs.271,912,336 as at 30 June, 2020, could not be confirmed.

Committee Observation

2541. The Committee observed that the institution has implemented fees policy and an ERP system to ensure that students adhere to the threshold set for fee payment to avoid long outstanding debts.

Committee Recommendation

2542. The Committee recommends that the National Treasury clears off the long outstanding debts of students who have graduated and dates back to 5 years.

2543. The Committee further recommends that the Accounting Officer makes deliberate efforts to ensure recovery of money from the government agencies which owe the institution.

18.3 Audited Statements for Financial Year 2020/2021

18.3.1 Student Debtors

2544. The statement of financial position reflects a balance of Kshs,168, 1601304 in respect to trade and other receivables from exchange transactions which, as disclosed in Note 1 6(a) to the financial statements, includes an amount of Kshs.126,584, 101 in respect of student debtors. A provision of Kshs.28,844,815 for doubtful debts has been made representing 50% of students' debts which had been outstanding for more than 5 years. However, the schedule provided in support of the balance did not include details of the invoice dates and student numbers for most of the debtors and therefore, the authenticity and adequacy of the provision could not be confirmed.

2545. In the circumstances, the accuracy, completeness and recoverability of long outstanding student debtors of Kshs.126,584, 101 as at 30 June, 2021 could not be confirmed.

Committee Observation

2546. The Committee observed that the matter had been discussed previously and reiterates its recommendations.

18.3.2 Trade Debtors

2547. The trade and other receivables from exchange transactions balance of Kshs.168,160,304 also includes trade debtors of Kshs.59,960,566. However, the supporting schedule provided for audit revealed that debts totalling Kshs.59 ,408, 859 were brought forward from previous years and their collectability remained doubtful. Further, the brought forward debts did not disclose the names of the debtors casting doubt on the authenticity of the brought forward debts.

2548. Consequently, the accuracy, completeness, validity and collectability of trade debtors balance of Kshs.59,960,566 as at 30 June, 2021 could not be confirmed.

Committee Observation

2549. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified all the necessary documents.

18.3.3 Intra-University Debts

2550. The trade and other receivables from exchange transactions balance of Kshs.168, 160,304 further includes other debtors amounting to latter balance includes debts totalling Kshs.5,955,450 owed by 'Machakos University' meaning that the University was its own debtor. The debts arose from intra-

university transactions and do not represent arm's length transactions and should have been offset from the reported debtors balance.

2551. In the circumstances, the validity of the debt of Kshs.5,955,450 debts and that of the related revenue as at 30 June, 2021 could not be ascertained.

Committee Observation

2552. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

18.3.4 Unaccounted for Contractors' Retentions

2553. As disclosed in Note 21 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.280,063,512 which includes contractors' retentions balance of Kshs.37,510,526. However, the bank account maintained for deposits operated at the National Bank of Kenya had a balance of Kshs.12,134 as at 30 June, 2021, resulting in a difference of Kshs.30,498,392.

2554. Management explained that the University spent part of the funds to pay contractors following delayed Exchequer releases to avoid penalties and interest. However, no documents were provided to indicate when the amounts were withdrawn, utilized and related approvals from the University Council.

2555. Consequently, the accuracy and completeness of the contractor's retentions balance of Kshs.510,526 as at 30 June, 2021 could not be confirmed.

Committee Observation

2556. The Committee observed that the institution spent retention money without approval.

2557. Further, the Finance Officer at the time was taken through disciplinary for the oversight stated and later redesignated to another post within the institution.

Committee Recommendation

2558. The Committee finds that the Vice-Chancellor approved the expenditure of funds without the requisite authorization and was therefore in breach of the applicable procedures. The Vice-Chancellor is reprimanded for the irregular expenditure of public funds

18.3.5 Lack of Staff Ethnic Balance

2559. Review of human resource documents revealed that, the University had five hundred and four (504) employees out of whom two hundred and ninety-three (293) representing 58% of the workforce were from the local dominant community. This is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, Cap.7N which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

2560. The University Management was in breach of the law.

Committee Observation

2561. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

2562. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report.

18.3.6 Unapproved Commitments after 31 May

2563. Review of the local purchase orders provided for audit revealed that, the University entered into seventy-seven (77) commitments amounting to Kshs.8,926,809 in the month of June, 2021 without approvals in writing from the Accounting Officer. This is contrary to the provisions of Regulation 51 (1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that no commitment should be done after 31 May without approval in writing from the Accounting Officer.

2564. The University Management was in breach of the law.

Committee Observation

2565. The Committee observed that all approvals were done before 31st May, however, LPO's were generated after stipulated date. The issue is resolved having verified all the requisite documentations.

18.3.7 Delayed Completion of Tuition and Office Block Project

2566. Included in the balance is Work-in-Progress of Kshs.430,630,650 is an amount of Kshs.428,907 ,050 relating to ongoing works on tuition and office block. The contract for the construction was awarded on 6 July, 2017, at a sum of Kshs.986,761,115 over a 3 years period. However, as at the time of this audit in September, 2021 | the project was at 70% completion level and value of works certified was Kshs.440,682,116 representing 45% of the contract sum. Review of the approved budget for the year under review, revealed that project had a final budget of against actual expenditure of Kshs.83,555,444 leading to an excess expenditure by which was occasioned by reduction in the budget of development grants after expenditure had already been incurred.

2567. No explanation was provided for the delay in completion of the project and for failure to impose sanctions against the contractor for breach of contractual provisions. Further, no documentary evidence was provided to indicate that the contractor had renewed the performance bond after expiry of the contract period.

2568. In the circumstances, the project implementation is behind schedule and the likelihood for cost escalation may hinder the University to obtain value for money from the investment.

Committee Observation

2569. The Committee observed that the delayed completion of the project was as a result of lack of funds from the government.

Committee Recommendation

2570. The Committee recommends that learning institutions should be intentional in awarding of contracts to contractors who have the capacity to deliver. Further, the government should advertise for projects they can be able to fund.

19.0 MITUNGUU TECHNICAL TRAINING INSTITUTE

2571. Ms. Lucy Anampiu, Principal, accompanied by: -

i) Mr. Mathew Kabete- Finance Officer

ii) Mr. James Mugambi- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Mitunguu Technical Training Institute, on 28th February 2024.

19.1 Audited Statements for Financial Year 2018/2019

19.1.1 Inaccurate Financial Statements

2572. Two stale cheques of Kshs.201,000 had not been reversed. Receipts of Kshs.2,625,259 had not been accounted for. Payments of Kshs.1,623,441 had not been accounted for in the financial statement.

Management Response

2573. The financial statements for the subsequent year were restated to reflect the correct balance. Receipts of Kshs.2,625,259 had not been accounted for in the financial statements.

2574. The financial statements for the subsequent year were restated to reflect the correct balance. Payments totalling to Kshs.1,623,441 reflected in the bank records had not been accounted for in the financial statements.

2575. The financial statements for the subsequent year were restated to reflect the correct balance.

Committee Observation

2576. The Committee observed that the expenditure within the institution was understated thus the financial statements did not portray the accurate financial position of the institution.

Committee Recommendation

2577. The Committee reprimands the Accounting Officer for the incorrect financial statements.

19.1.2 Inaccurate Statement of Cashflows

2578. The statement of changes in net assets doesn't reflect development grants of Kshs.2,547,250. The changes in receivables of Kshs.27,314,144 is wrongly captured in the statement of cash flows.

Management Response

2579. The financial statements for the subsequent year were restated to reflect the correct balance. Kshs.27,314,144 in respect to changes in receivables under cashflows from investing activities for the year.

2580. This was noted and corrected in the financial statements for the following year.

Committee Observation

2581. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

19.1.3 Unreconciled Inter-Entity Transfers

2582. Ministry of Education released Kshs.19,644,500 to the Institute while the financial statements reflect Kshs,5,547,250 resulting to a variance of Kshs.14,097,250.

Management Response

2583. The error was noted and rectified in the subsequent financial year. The other amount of Kshs.14,097,250 was received in the next financial year.

Committee Observation

2584. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

19.1.4 Unconfirmed Ownership of Property, Plant and Equipment

2585. There were no ownership records the Institute's land measuring 20.20Ha. The value of land not included in the PPE value of Kshs.19,438,590. Electrical, Electronics, ICT and amphitheatre buildings built in 2015-2016 not yet included in the financial statements.

Management Response

2586. The allotment letter was issued on 24th March 2023.The letter and the respective fees paid to the P.S Ministry of Lands National and Physical planning were provided for verification.

Committee Observations

2587. The Committee observed that the institution was unable to conduct valuation of their property in totality because of lack of a title deed for the institution.

Committee Recommendations

2588. The Committee recommends that the Accounting makes deliberate efforts and follow-ups to obtain the title deed of the institution's land within three (3) months upon the adoption of this report by the House.

19.1.5 Procurement of Equipment and stores items

2589. Procured items worth Kshs.405,244 had no records on receiving and being taken on charge in the stores and issuance to user departments. The low value procurement method used was irregular. The procurement of school equipment worth Kshs.314,125 through low procurement method was

irregular and besides the receiving of the items, being taken on charge and issuance for use was not clear on record.

Management Response

2590. The documents for the procurement process were provided for verification.

Committee Observation

2591. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

19.1.6 Non-inclusion of ICPAK Number by Head of Finance

2592. The Institute's head of finance did not include his Institute of Certified Public Accountant of Kenya (ICPAK) membership number in the financial statements for the year under review, contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020 which requires the head of finance to include his/her ICPAK membership number in the financial statements. In the circumstances, the presentation of the Institute's financial statements is not in accordance with the PSASB prescribed format.

Management Response

2593. The institute hired a Finance Officer who is a member of ICPAK membership, number 19316.

Committee Observations

2594. The Committee observed that the head of finance of the institution did not possess the right qualifications to hold the position of head of finance.

Committee Recommendations

2595. The Committee recommends that the head of finance, Mr. James Mugambi, be reprimanded for all irregular expenditures incurred during his tenure.

19.1.7 Lack of Internal Audit Department

2596. The Institute did not have an Internal Audit Unit during the period under review contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit unit would have performed various roles stipulated by Section 73(3) of the Public Finance Management Act, Cap. 412A

including risk assessment, putting in place a risk register and assessing the internal controls mechanism. In the circumstances, the internal control system of the Institute is inadequate.

Management Response

2597. The department was established in the Financial Year 2020-2021.

Committee Observation

2598. The Committee observed that the matter had been resolved since the institution had an active internal audit department.

19.1.8 Non-Establishment of Audit Committee

2599. The Institute did not establish an audit committee during the period under review contrary to Section 73(5) of Public Finance Management Act, Cap 412A which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Regulation175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.

2600. In the circumstance, the Institute contravened the law, and its governance system is inadequate.

Management Response

2601. The Committee was formulated on 28th June 2022.

Committee Observation

2602. The Committee observed that the matter had been resolved since the institution had a functional internal audit Committee.

19.1.9 Information Communication and Technology (ICT) Environment

2603. The Technical Institute did not institute an approved ICT policy during the year ended 30 June, 2020 to ensure data security, information confidentiality, data integrity, loss of business continuity and data recovery plans contrary to Regulation 110(1) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a National

Government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

2604. In the circumstance, the security and reliability of the Institute's data could not be ascertained.

Management Response

2605. The Institute formulated the policy which was approved by the Board of Governors on 13th January 2023.

Committee Observation

2606. The Committee observed that the matter had been resolved since the institution had an approved ICT policy in place.

19.2 Audited Statements for Financial Year 2019/2020

19.2.1 Ownership and Valuation of Property, Plant and Equipment

2607. The statement of financial position as at 30 June, 2020 reflects property plant and equipment balance of Kshs.24,176,153 as disclosed in Note 30 to the financial statements. As reported in the previous year, records provided for audit review showed that Mitunguu Technical Training Institute was allocated a parcel of land measuring 20.20 hectares in 2011 by the defunct Meru County Council. However, the ownership documents for the parcel of land were not provided for audit review and no explanation was provided as to why the Institute had not applied for the registration of the 20.20- hectare piece of land. Further, the value of the said land is neither disclosed nor included in the Kshs.24,176,153. In addition, as reported in the prior year, the values of electrical and electronics block, Information Communication and Technology (ICT) block and Amphitheatre buildings having been constructed in the financial year 2015-2016 are not included in the financial statements.

2608. In the circumstances, it has not been possible to ascertain the ownership, existence, completeness and security of the property, plant and equipment balance of Kshs.24,176,153 as at 30 June, 2020.

Management Response

2609. The allotment letter was issued on 24th March 2023.The letter and the respective fees paid to the P.S Ministry of Lands National and Physical planning were provided for verification.

2610. Valuation process for the land will commence immediately the title is received.

2611. The handing over report for the buildings in question did not include their values. The management have provided a budget to engage a valuer in the FY 2023/2024.

Committee Observation

2612. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.2 Valuation of Goods Sold

2613. The statement of financial performance reflects sale of goods of Kshs.360,000 as disclosed in Note 10 to the financial statements. The sale relates to farm produce including pigs. However, valuation reports of the pigs sold was not provided for audit review contrary to Section 164(3) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that there shall be a technical report where appropriate by a relevant expert of the subject items for disposal that takes into account the real market price and in so doing, the technical expert shall set up a reserve price which shall be the minimum acceptable price below real market value of the boarded items. In the circumstances, the accuracy and validity of the Kshs.360,000 revenue for the year ended 30 June, 2020 could not be confirmed.

Management Response

2614. The anomaly was noted and addressed in the year 2022/2023. Valuation of the biological was done on 7th June 2023 by the Department of Agriculture, Livestock and Fisheries of Meru County and hence all subsequent disposals will always be done after valuation.

Committee Observation

2615. The Committee observed that the matter had been resolved as the Auditor General was satisfied with the management's response.

19.2.3 Unsupported Expenditure on use of Goods and Services

2616. The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and service of Kshs. 19,839,655 as disclosed in Note 14(a) to the financial statements. The balance includes Kshs.1,398,739 expenditures in respect to local travel and transport which further includes Kshs.271,600 paid as night out and allowances to Institute's staff. However, the supporting documents including invitation letters, work/bus tickets, attendance schedules and back to office reports were not provided for audit review.

2617. Further, the balance includes Kshs.1,431,057 in respect of kitchen expenses which further includes Kshs.1,118,117 paid to various suppliers for supply and delivery of kitchen items. However,

supporting documents including minutes of tender opening and evaluation were not provided for audit review contrary to Section 78(10) (a)&(b) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that the tender opening committee shall prepare tender opening minutes which shall set out a record of the procedure followed in opening the tenders; and the particulars of those persons submitting tenders, or their representatives who attended the opening of the tenders.

2618. In addition, the balance includes Kshs.1,431,057 in respect to kitchen expenses which further includes Kshs.1,118,117 paid to various suppliers for supply and delivery of kitchen items. However, supporting documents including minutes of tender opening and evaluation were not provided for audit review contrary to Section 78(10)(a) and (b) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that the tender opening committee shall prepare tender opening minutes which shall set out a record of the procedure followed in opening the tenders; and the particulars of those persons submitting tenders, or their representatives who attended the opening of the tenders.

2619. The balance also includes Kshs.2,817,412 and Kshs.162,000 in respect to learning materials and robotics automation expenditure respectively for which requisition forms and delivery notes were not provided for expenditure on robotics automation while minutes of inspection and acceptance committee were not provided for audit review for both expenditures contrary to Section 48 (3)(b) of the Public Procurement and Asset Disposal Act, Cap. 412C which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract.

2620. In the circumstances, the validity and value for money for the Kshs.19,839,655 expenditure on use of goods and service for the year ended 30 June, 2020 could not be ascertained and is in breach of law.

Management Response

2621. Supportive schedule has been provided for verification.

Payment Voucher	Amount(Kshs)
0399	4,000
	8,000

0003	229,600
0737	10,000
0493	4,000
0366	16,000
Total	**271,600**

Committee Observation

2622. The Committee observed that the matter had been resolved as the Auditor General was satisfied with the management's response.

19.2.4 Unsupported expenditure on Repairs, maintenance and improvement expenses

2623. The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and service of Kshs.19,839,655 as disclosed in Note 14(a) to the financial statements. Included in the balance is Kshs.797,776 in respect to repairs and maintenance for the year ended 30 June, 2020 which further includes Kshs.92,720 paid to a hardware for the supply of paints for property maintenance. However, supporting documents including invoice were not provided for audit review. Further, low value procurement method was irregularly used in procuring the items worth the Kshs.92,720 contrary to legal notice 106 of 18 June, 2013, first schedule of threshold matrix for Class C procuring entities which stipulates that low value procurement maximum level of expenditure under this method is Kshs.5,000 per procurement per item.

2624. In the circumstances, it has not been possible to ascertain the validity and value for money for the Kshs.92,720 expenditure incurred during the year ended 30 June, 2020. Further, the Institute is in breach of law.

Management Response

2625. The irregular use of low value procurement method was noted and measures taken in the subsequent years.

Committee Observation

2626. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response.

19.2.5 Budgetary Control and Performance

2627. The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects budgeted expenditure of Kshs.77,524,487 and actual expenditure of Kshs.35,879,177 resulting to budget under expenditure of Kshs.41,645,310 or 54% of the budget.

2628. Based on the approved estimates, under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2629. The institute adopted a system of budgetary reviews at least twice in a financial year to ensure variances are maintained at acceptable levels.

Committee Observation

2630. The Committee observed that capitation remains to be an issue cutting across all learning institutions which negatively impacts service delivery.

Committee Recommendations

2631. With unpredictability in the funding model, the Institution is encouraged to develop other income generating activities to increase their cashflow and be realistic in its budget allocation.

19.2.6 Non-inclusion of ICPAK Number by Head of Finance

2632. The Institute's head of finance did not include his Institute of Certified Public Accountant of Kenya (ICPAK) membership number in the financial statements for the year under review, contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2020 which requires the head of finance to include his/her ICPAK membership number in the financial statements. In the circumstances, the presentation of the Institute's financial statements is not in accordance with the PSASB prescribed format.

Management Response

2633. The institute hired a Finance Officer who is a member of ICPAK membership, number 19316.

Committee Observation

2634. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.7 Irregular Expenditure on the Use of Goods and Services

2635. The statement of financial performance reflects use of goods and services of Kshs.19,839,655 as disclosed in Note 14 to the financial statements. Included in the balance is Kshs.548,007 paid to a firm for security services which was not registered by the Institute contrary to Section 106(2)(a) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that the accounting

officer of the procurement entity shall give requests for quotations to such persons as are registered by the procuring entity.

2636. The balance also includes Kshs.2,229,124 in respect to administration fees which further includes Kshs.459,489 for supply of stationeries, kitchen supplies and sanitizers in which low value procurement method was irregularly used in procuring the items worth the Kshs.459,489 contrary to legal notice 106 of 18 June, 2013, first schedule of threshold matrix for Class C procuring entities which stipulates that low value procurement maximum level of expenditure under this method is Kshs.5,000 per procurement per item.

2637. Further, the balance includes Kshs.526,041 in respect to activity expenses that includes Kshs.78,870 paid to a supplier for supply of branded sports costumes. However, the firm is not registered by the Institute contrary to Section 106(2)(a) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that the accounting officer of the procurement entity shall give requests for quotations to such persons as are registered by the procuring entity.

2638. In addition, the balance includes Kshs.1,197,790 in respect to farm expenses which further includes Kshs.398,170 paid to various suppliers for the supply and delivery of farm items. However, the institute procured the farm supplies directly without justification contrary to Section 103(2) (a) of the Public Procurement and Asset Disposal Act, Cap. 412C which states that a procuring entity may use direct procurement if is satisfied that the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services and that no reasonable alternative or substitute exists.

2639. In the circumstance, the Management is in breach of the law.

Management Response

2640. Kshs.548,007 paid to a firm for Security services which was not registered. The irregularity was noted and measures taken in subsequent years.

2641. Kshs.459,489 for Kitchen Supplies, Stationery, and sanitizers -Low value procurement method irregularly used. The anomaly was noted and measures taken in the subsequent years.

2642. Kshs.78,870 paid to supplier for branded sports costumes, firm not registered. The anomaly was noted and measures taken in the subsequent years.

2643. Kshs.398,170 paid to various suppliers for farm supplies through direct procurement. The anomaly was noted and measures put in place in the subsequent years by use of request for quotation method.

Committee Observation

2644. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.8 Purchase of Institute Bus

2645. The statement of financial position also reflects property, plant and equipment balance of Kshs.24,176,153 as disclosed in Note 30 to the financial statements. The balance includes Kshs.5,356,000 in respect to net book value of motor vehicle which relate to a branded 51-seater Institutes' bus purchased during the year under review at a cost of Kshs.6,695,000. However, a statement of professional opinion was not provided for audit review contrary to Section 84(1) of Public Procurement and Asset Disposal Act which states that the head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.

2646. Further, the bus logbook availed for audit review indicated that the bus is a 45-seater contrary to the tender notice number MTTI/BUS/001/2019 which indicated supply and delivery of a branded 51-seater FRR33LR 8226CC bus. The inspection and acceptance committees report provided for audit review did not disclose the capacity of the bus contrary to Section 48 (3) of same Act which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and where necessary, test the goods received, inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract and accept or reject, on behalf of the procuring entity, the delivered goods, works or services.

2647. In addition, the police abstract number OB.36/28/11/2020 dated 30 November, 2020 showed that there was an attempted theft of the bus where the rear left axle, wind screen and the right-side mirror were damaged. However, though the bus was insured with an insurance company, the insurance damage assessment report was not provided for audit review. It is also not clear when the damaged parts will be replaced.

2648. In the circumstances, propriety and value for money for the Kshs.6,695,000 incurred to procure the Institute's bus as at 30 June, 2020 cannot be ascertained. Further, the Institute is in breach of the law.

Management Response

2649. The error occurred during production of the logbook. A letter was written to request NTSA to change the error in the logbook from 45-seater to 51seater. A follow up will be done on the same and report on the progress. Inspection and Acceptance committee reports did not disclose the capacity of the bus.

Committee Observation

2650. The Committee observed that the matter had been resolved as the Auditor General was satisfied with the management's response.

19.2.9 Non-Compliance with Law on Ethnic Composition

2651. Review of the personnel records availed for audit review indicates that the Institute's Board of Governors had employed twenty-four (24) staff members from different ethnic communities.

2652. However, 14 staff or 58% were from the dominant community 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.

2653. In the circumstance, the Management is in breach of the law.

Management Response

2654. During the formative years the institute had a challenge in meeting the requirements, however it has endeavored to meet this requirement and currently it stands as per the table below.

Tribe	**Percentage**
Embu	5.5
Kamba	4.3
Kikuyu	11.9
Kisii	1.2
Luhya	6.6
Luo	5.2
Meru	53.3
Samburu	1
Tharaka	11

Committee Observations

2655. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.

Committee recommendation

2656. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report by the House.

19.2.10 Lack of Internal Audit Department

2657. The Institute did not have an Internal Audit Unit during the period under review contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit unit would have performed various roles stipulated by Section 73(3) of the Public Finance Management Act including risk assessment, putting in place a risk register and assessing the internal controls mechanism. In the circumstances, the internal control system of the Institute is inadequate.

Management Response

2658. The department was established in the Financial Year 2020-2021.

Committee Observation

2659. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.11 Non-Establishment of Audit Committee

2660. The Institute did not establish an audit committee during the period under review contrary to Section 73(5) of Public Finance Management Act, Cap. 412A which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Regulation 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk control and governance and associated assurance but the responsibility over the management

of risk control and governance processes remains with the management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.

2661. In the circumstance, the Institute contravened the law, and its governance system is inadequate.

Management Response

2662. The Committee was formulated on 28th June 2022.

Committee Observation

2663. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.12 Information Communication and Technology (ICT) Environment

2664. The Technical Institute did not institute an approved ICT policy during the year ended 30 June, 2020 to ensure data security, information confidentiality, data integrity, loss of business continuity and data recovery plans contrary to Regulation 110(1) of the Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer of a National Government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

2665. In the circumstance, the security and reliability of the Institute's data could not be ascertained.

Management Response

2666. The Institute formulated the policy which was approved by the Board of Governors on 13th January 2023.

Committee Observation

2667. The Committee observed that the matter had been previously discussed and hereby reiterates its earlier recommendations.

19.2.13 Appointment to the Institute Board of Governors

2668. Review of records availed for audit revealed that the Cabinet Secretary for the Ministry of Education appointed three (3) persons to the Board of Governors of the Institute for a period of three (3) years with effect from 05 October, 2018. However, the appointment of three (3) persons as Board of Governors is contrary to Section (1)(1) of Second Schedule of the Technical and Vocational Education and Training Act, Cap. 210A which states that the Board of Governors of a public institution shall consist of not less than seven and not more than nine members appointed by the Cabinet Secretary.

2669. In the circumstances, the effectiveness of the governance structure is doubtful.

Management Response

2670. The institute has complied with the appointment of Board of Governors with the current board comprising of 9 members dully appointed by the Cabinet Secretary Ministry of Education.

Committee Observation

2671. The Committee observed that a new board of governors was constituted comprising of 9 members thus the issue has been resolved.

19.3 Audited Statements for Financial Year 2020/2021

2672. The Committee observed that all queries raised in the FY 2020/2021 was either resolved or discussed in the previous financial years and reiterates its recommendations.

20.0 SOUTH EASTERN KENYA UNIVERSITY

2673. Prof. Douglas Shitanda, Vice Chancelor, accompanied by: -

i) Mr. Fergerson Muthui- Director Finance

ii) Ms. Nicole Nyamai- Legal Council

Appeared before The Committee to adduce evidence on the audited accounts of South Eastern Kenya University, on 28th February 2024.

20.1 Audited Statements for Financial Year 2018/2019

20.1.1 Variance between the Financial Statements and Trial Balance

2674. The statement of financial performance reflects total revenue from non-exchange transactions of Kshs.776,028,240;(2018-Kshs.948,324,778) which differs from the trial balance figure of Kshs.721,585,725 resulting into an unexplained variance of Kshs.54,442,515. Further, the statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.405,410,748;(2018- Kshs.424,164,692). As disclosed in Note 22 to the financial statements, included in the balance is recurrent creditors suppliers' amount of Kshs.21,095,694 which differs from the trial balance amount of Kshs.22,762,479 resulting in an unexplained variance of Kshs.1,666,785.

2675. In the circumstance, the accuracy of the financial statements as presented could not be confirmed.

Management Response

2676. The University management noted the errors in the subsidiary ledgers and passed Journal entries that corrected the errors.

Committee Observation

2677. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the Management Response having verified the relevant ledgers provided.

20.1.2 Property Plant and Equipment

2678. As previously reported, the statement of financial position reflects a property, plant and equipment balance of Kshs.2,878,023,194;(2018–Kshs.2,788,059,386). As disclosed in Note 15 to the financial statements, included in the balance are three (3) parcels of land valued at Kshs.1,036,600,000 which are not registered in the name of the University. Another two (2) parcels of land belonging to the University under land registration numbers Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713, measuring 3.26 and 6.09 hectares and whose title deeds were issued on 13 July, 2017 and 22 September, 2015 respectively, had not been valued.

2679. Although the Management wrote to the Lands and Physical Planning Office of the County Government of Kitui on 26 April, 2018 requesting for valuation, no evidence was provided of follow up and progress made in getting the land parcels valued.

2680. In the circumstances, it has not been possible to ascertain the accuracy and ownership of the reported property, plant and equipment balance of Kshs.2,878,023,194.

Management Response

2681. The University Management concurs that the 3 parcels of Land do not have ownership documents due to Court cases between the University and a group of individuals calling themselves directors of Ukamba Agricultural Institute (Ukai) Ltd and squatters. However, 2 parcels of land namely Wote Town campus and Kitui Town campuses the University Management is in the process of obtaining the ownership documents

Committee Observation

2682. The Committee observed that there is an ongoing court case to determine the legal ownership of the land, arising from a dispute between the institution and Ukamba Agricultural Institute Limited.

Committee Recommendation

2683. Within three (3) months of the adoption of this report by the National Assembly, the institution should engage the Attorney General regarding the disputed land currently under contention with Ukamba Agricultural Institute Limited. Furthermore, the Accounting Officer is required, within six (6) months of the adoption of this report, to secure and present ownership documents (title deeds) for the two parcels of land housing the Wote Town and Kitui Town campuses.

20.1.3 Material Uncertainty Related to Sustainability of Services

2684. The statement of financial performance reflects a deficit of Kshs.42,084,280 thereby increasing the accumulated loss to Kshs.178,096,025. Further, the current liabilities of Kshs.477,731,601 exceeded the current assets of Kshs.304,581,011 resulting into a negative working capital of Kshs.173,150,590. The negative trend casts doubt on the ability of the University to continue to sustain services. The material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University Management to reverse the undesirable trend has not been disclosed in the financial statements.

Management Response

2685. There was a revenue shortfall in the AIA due to decrease in student numbers which affected revenue targets.

2686. The University has embarked on ostensive measures to cut on expenditure and spends within the available resources without impacting negatively on service delivery.

2687. The university has also outsourced non -core services like cleaning and security as a way of cutting on operating costs

Committee Observation

2688. The Committee observed and notes the progress and the available resources/initiatives put in place by the institution to counter material uncertainties.

Committee Recommendation

2689. The Committee recommends the Accounting Officer to make deliberate efforts in countering the material uncertainties to ensure smooth running of activities within the institution.

20.1.4 Delayed Completion of Buildings

2690. In March, 2017, the University awarded three (3) contracts with an estimated completion date of March, 2019. The contracts were for the construction of the College of Humanities at the main campus for a contract sum of Kshs.423,000,000, construction of Kitui town campus at a contract sum of Kshs.248,942,307 and construction of Wote town campus at a contract sum of Kshs.256,694,261. However, the audit inspection of the Projects in September, 2019 revealed that the completion of the Projects was behind schedule and the works were at 65%,62% and 70% completion stages respectively. No satisfactory explanation was provided for the delay in completing the three Projects despite the contract completion date of March, 2019 having lapsed.

2691. In the circumstances, the project completion costs are likely to escalate and the University may not get value for money from the projects.

Management Response

2692. The Management concurs that there was delay in completing the three Government of Kenya funded projects namely;

i) Construction of Wote Campus

ii) Construction of Kitui Campus

iii) Construction of College of Humanities

2693. During the FY 2017/18 the University was allocated capital development budget of Kshs.302.467M. However, during the year the University received disbursement of Kshs.63.931M as capital grants against the allocated funds of Kshs.302.467M. This resulted in undisbursed funds of Kshs.237.227M which delayed payment to contractors and consultants totalling to Kshs.42,003,337.80 as at 30th June 2019. This also affected the completion time of the projects. However as at 30th June 2022, all the projects were completed and in use.

Committee Observation

2694. The Committee notes that all contracts were completed and interest amounting to Kshs.1.1 million was paid in accordance with the contractual terms; therefore, the matter is considered resolved.

20.2 Audited Statements for Financial Year 2019/2020

20.2.1 Long Outstanding Debtors

2695. As disclosed in Note 18 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance totalling to Kshs.72,865,025. The balance includes an amount of Kshs.14,000,000 owed by Kitui County Government since October, 2018 and an amount of Kshs.475,000 owed by Machakos University since October, 2017. Although the University wrote demand letters to the County Government in June 2019, no commitment was obtained while there is no evidence of further follow up to close on the matter.

2696. Included also in the general debtors' balances is Kshs.475,000 due from Machakos University which has been outstanding since October, 2017. A demand letter was sent to the University on 9 June, 2020, but no response had been received by the time of the audit. The amounts have also not been reclassified to non-performing debtors and the necessary provisions for likelihood of impairment incorporated in the financial statements.

2697. In the circumstances, the fair statement of general debtors' balances of Kshs.15,323,430 included under receivables from exchange transactions balance as at 30 June, 2020 could not be confirmed.

Management Response

2698. The University Management has written several demand letters to the Kitui County Government, Ministry of Health for payment of Kshs. 14,000,000 of the training fees charged. To date the amount remains unpaid. The unresolved issue has been escalated to the Head of Public Service, Principal Secretary, State Department of Higher Education and research with a copy sent the OAG.

Committee Observation

2699. The Committee notes the efforts made by the institution in regard to the recovery of monies owed to them.

Committee Recommendation

2700. The Committee recommends that the Head of Public Service, Principal Secretary, State Department of Higher Education, should intervene and ensure the outstanding amounts owed by the County Government of Kitui and Machakos University are settled without further delay.

20.2.2 Property, Plant and Equipment

2701. As previously reported, as disclosed in Note 15 to the financial statements, the statement of financial position reflects property, plant and equipment balance totalling to Kshs.3,085,222,969. Included in this balance are three (3) parcels of land measuring approximately 6,000 Hectares with a valuation of Kshs.1,036,600,000 which are yet to be registered in the name of the University due to land disputes. The University is also in possession of five (5) other parcels of land with an undetermined value that have not been incorporated in the financial statements. In the circumstances, the accuracy, completeness, validity and ownership of the property, plant and equipment balance totalling to Kshs.3,085,222,969 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

2702. The University Management concurs that the 3 parcels of Land do not have ownership documents due to Court cases between the University and a group of individuals calling themselves directors of Ukai Ltd and squatters. However, 2 parcels of land namely Wote Town campus and Kitui Town campuses the University Management is in the process of obtaining the ownership documents as analyzed in the response.

Committee Observation

2703. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.2.3 Delayed Completion of Buildings

(i) College of Humanities at the Main Campus

2704. The tender for construction and completion of the college of humanities building at the main campus was awarded for a contract sum of Kshs.423,000,000 for a period of two years commencing March, 2017 and completion date of March, 2019 later revised to October, 2020. However, as at the time of audit inspection in November, 2020, the project was incomplete at 87% completion level despite the extended period having lapsed.

(ii) Kitui Town Campus

2705. Similarly, the University awarded a tender for the construction and completion of Kitui town campus at a contract sum of Kshs.248,942,307 for a period of two years commencing March, 2017. The contract period was subsequently extended for a period of one and half years to August, 2020. However, as at the time of audit inspection in November, 2020, the project was incomplete with an estimated overall progress of 83%. This is despite the extension period having lapsed.

(iii) Wote Town Campus

2706. The University also awarded a tender for construction of Wote Town Campus at a contract sum of Kshs.256,694,261 for a period of two years commencing March, 2017. The contractor was subsequently granted an extension to November, 2020. However, as at the time of audit inspection in November, 2020 the time of expiry of the extension period, the project was at 88% completion level.

2707. No satisfactory explanation was rendered for the continued delays in completing the three projects which are at the risk of incurring costs escalation.

2708. In the circumstances, I am unable to confirm whether the public will obtain value for money for the above delayed projects for the year ended 30 June, 2020.

Management Response

2709. During the FY 2017/18 the university was allocated capital development budget of Kshs.302.467M. However, during the year the University received disbursement of Kshs.63.931M as capital grants of against the allocated funds of Kshs.302.467M. This resulted to undisbursed funds of Kshs.237.227M which delayed payment to contractors and consultants totalling to Kshs.42,003,337.80 as at 30th June 2019. This also affected the completion time of the projects.

2710. As a result of delay in disbursement of funds from the ministry, this caused delays in payment and completion of the project and therefore this is beyond the control of the university.

2711. Covid 19 pandemic significantly affected the progress of the constructions due to lockdown.

2712. However as at 30th June 2022, all the projects were completed and in use.

Committee Observation

2713. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.2.4 Non-Compliance with Law on Ethnic Composition

2714. The University's staff database as at 30 June, 2020 had four hundred and ninety (490) officers out of whom two hundred and seventy-four (274) or (56%) were from the dominant ethnic community in the County. This is contrary to provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires that, public entities to ensure that at least thirty percent (30%) of positions be filled by candidates who are not from the dominant ethnic community in the County. Consequently, Management is in breach of the provision of Section 7(1) & (2) of the National Cohesion and Integrity Act, Cap. 7N.

Management Response

2715. The University inherited Ukai which was a local middle level College with 100% staff from the Kamba community in 2008 when the University was gazetted as a constituent college of the University of Nairobi. The numbers decreased to 67.5% in 2012, 57.5% in 2016 and 55% in June 2019 and currently the number is at 51.3 % as at 31st January, 2024.

2716. It is evident from the above statistics that the University made a remarkable progress in reducing the ethic imbalance and aims towards achieving ethnic balance.

2717. In addition, the University has been awarded a certificate of recognition as the most inclusive public university by the national diversity inclusion awards and recognition (DAR) Awards in 2019 and 2022.

Committee Observation

2718. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap.7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

2719. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement

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

20.3 Audited Statements for Financial Year 2019/2021

20.3.1 Receivables from Exchange Transactions

2720. The statement of financial position reflects receivables from exchange transactions balance of Kshs.71,176,446 which, as disclosed in Note 19 to the financial statements, includes general debtors totalling to Kshs.15,110,927. The latter balance includes an amount of Kshs.14,000,000 which is owed by County Government of Kitui. The amount has been outstanding for a long period, and the University has not demonstrated any effort towards the recovery of the amount.

2721. In the circumstances, the accuracy, validity and recoverability of the balance of Kshs.14,000,000 included in receivables from exchange transactions as at 30 June, 2021 could not be confirmed.

Management Response

2722. The University Management has written several demand letters to the Kitui County Government, Ministry of Health for payment of Kes.14,000,000 of the training fees charged. To date the amount remains unpaid. The unresolved issue has been escalated to the Head of Public service, Principal Secretary State Department of Higher Education and research with a copy sent the OAG.

Committee Observation

2723. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.2 Trade and Other Payables from Exchange Transactions; Amount Owed to Suppliers

2724. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.211,669,319 which, as disclosed in Note 23 to the financial statements, includes an amount of Kshs.15,824,135 owed to suppliers. The latter balance includes an amount of Kshs.1,882,217 being interest on delayed payments to contractors. Payment of interest impact negatively on the delivery of services due to utilization of funds on unbudgeted for items.

2725. In the circumstances, the accuracy, propriety and completeness of the amount of Kshs.1,882,217 for the year ended 30 June, 2021 could not be confirmed.

Management Response

2726. Capital projects are funded by GOK. The University has been receiving limited budget allocation for the projects over the years.

2727. During the FY 2017/18 the government reduced capital grants to all MDAs by 75%. The University allocation on capital development budget was reduced from Kshs.302.467M to Kshs. 65,230,956.00 which led to non-payment of certificates for works done. As a result, certificates of works done amounting to Kes.148,696,249.00 were not honored causing a charge of interest on the delayed payment of certificates.

Committee Observation

2728. The Committee observed that limited funding to universities has hindered the institution's ability to operate optimally, thereby affecting its capacity to resolve certain issues

Committee Recommendation

2729. The Committee recommends that the institution leverage its in-house technical expertise and engage in income-generating activities, including technological research, development, and consultancies, to reduce its reliance on funding from the National Government.

20.3.3 Amount Due to Part-Time Lecturers

2730. The trade and other payables from exchange transactions balances of Kshs.211,669,319 also includes an amount of Kshs.56,035,550 in respect of provision for part-time lecturers claims dating back from FY 2017/2018 which are yet to be settled. The University risk reduced productivity from demotivated staff due to delayed settlement of part-time allowances.

2731. In the circumstances, the accuracy, completeness and propriety of the balance of Kshs.56,035,550 as at 30 June, 2021 could not be confirmed

Management Response

2732. The University engages part time letters to teach whenever necessary as the budget could not allow employment of adequate lecturers. This has led to pending payment to part time claims of Kshs.56,035,550 as at 30 June, 2021. However, the University has forwarded the cumulative pending bill to the National treasury through the Ministry of education for funding to clear the outstanding debts.

Committee Observation

2733. The Committee observed that limited funding to universities has hindered the institution's ability to operate optimally, thereby affecting its capacity to resolve certain issues.

Committee Recommendation

2734. The Committee recommends that the National Treasury expedites the disbursement of the outstanding funds to facilitate the prompt payment of part-time lecturers.

20.3.4 Lack of Regional Balance in Staff Ethnic Composition

2735. Review of human resource documents revealed that, the University had a total of 475 employees out of whom 259 employees representing 55% of the workforce were from the dominant ethnic community in the region. This contravenes the provisions of Section 7(2) of the National Cohesion and Integration Act, Cap. 7N which stipulates that not more than a third of the employees' of public entity shall be from the same ethnic community.

2736. In the circumstances, the University was in breach of the law.

Management Response

2737. The University inherited UKAI which was a local middle level College with 100% staff from the Kamba community in 2008 when the University was gazetted as a constituent college of the University of Nairobi. The numbers decreased to 67.5% in 2012, 57.5% in 2016 and 55% in June 2019 and currently the number is at 51.3 % as at 31st January, 2024.

2738. It is evident from the above statistics that the University made a remarkable progress in reducing the ethic imbalance and aims towards achieving ethnic balance.

2739. In addition, the University has been awarded a certificate of recognition as the most inclusive public university by the national diversity inclusion awards and recognition (DAR) Awards in 2019 and 2022.

Committee Observation

2740. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.



SIGNED..... **DATE**.....31/3/2026.....

HON. WANAMI WAMBOKA, CBS, M.P.

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION

THE NATIONAL ASSEMBLY

13TH PARLIAMENT –FITH SESSION (2026)

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

Date : 19TH MARCH. 2026. **Venue :** COMMITTEE ROOM 26 5TH FLOOR BUNGE TOWER.

Time Started: 10:00AM **Time Ended:** _____

AGENDA: ADOPTION OF THE EIGTH REPOR (EASTERN REGION)

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

MINUTES OF THE 5TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON THURSDAY 19TH MARCH 2026 COMMITTEE ROOM 26 5TH FLOOR, BUNGE TOWER AT 10:00 AM

PRESENT

1. **Hon. Wanami Wamboka, CBS, MP** - **Chairperson**
2. **Hon. Boyd Were Ong'ndo MP** - **Vice Chairperson**
3. Hon. Alfa Ondieki Miruka, CBS, MP
4. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
5. Hon. Moses Kirima Nguchine, MP
6. Hon. Daniel Karitho Kiili, MP
7. Hon. Rebecca Tonkei Noonaishi, MP
8. Hon. Joseph Tonui Kipkosgei, MP
9. Hon. Chiforomodo Mangale Munga, MP
10. 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/2026/038: PRELIMINARIES

The Chairperson called the meeting to order at 10:20am followed by a word of prayer from the Chairperson and thereafter a round of introduction. The agenda was confirmed as listed hereunder on the proposal of Hon. Daniel Karitho 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 Eastern Regions**
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAGPC/PIC-G& E/2026/039: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAGPC/PIC-G&E/2026/040: CONSIDERATION OF THE EIGHTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION ON (EASTERN REGION)

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 Eastern Region.

1. Tharaka University College
2. Chuka University
3. Embu University
4. Machakos University
5. South Eastern Kenya University
6. Meru National Polytechnic
7. Wote Technical Training Institute
8. Kaelo Technical Training Institute
9. Nkabune Technical Training Institute
10. Kiirua Technical Training Institute
11. Karumo Technical Training Institute
12. Mukiria Technical Training Institute
13. Mitunguu Technical Training Institute
14. Nachu Technical and Vocational College
15. Chuka Technical and Vocational College
16. Tigania East Technical and Vocational College
17. Katine Technical and Vocational College

18. Machakos Technical Institute for the Blind

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.

The Committee considered and adopted the Eighth Report, having been proposed by the Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP and Seconded by Hon. Daniel Karitho Kiili, MP

MIN.NO. NA/DAAGPC/PIC-G & E/2026/041: 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: .....

Hon. Wanami Wamboka, CBS. MP (CHAIRPERSON