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REPUBLIC OF KENYA


THIRTEENTH PARLIAMENT- FIFTH SESSION

THE NATIONAL ASSEMBLY

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

\*\*\*

ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF STATE CORPORATIONS (WESTERN REGION) FOR  
THE FINANCIAL YEARS ~~2018/19, 2019/20 & 2020/21~~

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: <b>26 FEB 2026</b>	DAY: THUR
TABLED BY:	HON. WANJAMU WAMBOKA, MP CHAIRPERSON
CLERK-AT THE TABLE:	VIVIAN KAMBUI

DIRECTORATE OF AUDIT, APPROPRIATIONS & OTHER SELECT COMMITTEES  
THE NATIONAL ASSEMBLY  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY 2026

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#### **LIST OF ABBREVIATIONS/ACRONYMS**

NG-CDF	-	National Government Constituency Development Fund
CEO	-	Chief Executive Officer
CS	-	Cabinet Secretary
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
GoK	-	Government of Kenya
HELB	-	Higher Education Loans Board
IAS	-	International Accounting Standards
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
MOE	-	Ministry of Education
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, Cap.412A
PAA	-	Public Audit Act, Cap.412B
PPAD	-	Public Procurement and Asset Disposal Act, Cap.412C

TVC	-	Technical and Vocational College
TVET	-	Technical and Vocational Education Training

## **CHAIRPERSON’S FOREWORD**

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

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

The Committee resolved to examine the reports of the Auditor General based on the regional domicile of each agency and the nature of operations of the agency, to enable an organized schedule of hearings, countrywide. This report is the sixth from the committee and covers state agencies domiciled within the Western region.

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

This report contains observations, findings and recommendations arising from the examination of reports of the Auditor-General for twenty-six (26) State Corporations for three financial years running up to the latest, 2020/21 FY. The report is structured as follows:

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

- ii) recommendations to each of the above;
- iii) audit queries identified by the Auditor General in the audit reports of each state corporation;
- iv) management responses to each of the queries;
- v) Committee observation/ findings on each query; and
- vi) recommendations of the Committee to each query raised.

In this report, the Committee makes 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 further recommends further investigations of certain matters by the relevant investigative agencies such as the EACC and the DCI. All this is geared towards ensuring prudent use of public resources and holding all persons that have misappropriated public funds accountable, in accordance with Article 226 (5) of the Constitution.

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

I also extend my appreciation to my fellow Members of the Committee and the secretariat whose immense contributions 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 honour to present the sixth Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for twenty-six (26) State Corporations

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

## **EXECUTIVE SUMMARY**

The 6<sup>th</sup> Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of twenty-six (26) 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 recommendation 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 includes: -

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

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

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

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

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

### **The Public Finance Management Act, Cap. 412A**

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

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

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

### **Chairperson**

The Hon. Wanami Wamboka, CBS, M.P.  
Bumula Constituency

### **DAP-K Party**

### **Vice Chairperson**

The Hon. Kibagendi Antoney, MP  
Kitutu Chache South Constituency

### **ODM PARTY**

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

### **UDA Party**

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

### **Jubilee Party**

The Hon. Thuddeus Nzambia, MP.  
Kilome Constituency

### **WDM Party**

The Hon. Wamacukuru Githua Kamau, MP.  
Kabete Constituency

### **UDA Party**

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

### **DAP-K Party**

The Hon. Rebecca Tonkei, MP.  
Narok County

### **UDA Party**

The Hon Alfa Miruka,CBS, MP  
Bomachoge Chache Constituency

### **UDA Party**

The Hon. Bonaya Gollo, MP  
Isiolo County

### **Jubilee Party**

The Hon. Shadrack Mwiti, MP.  
Imenti South Constituency

### **Jubilee Party**

The Hon. Moses Kirima, MP  
Imenti Central Constituency

### **UDA Party**

The Hon. Daniel Karitho, MP  
Igembe Central Constituency

### **Jubilee Party**

The Hon. Chiforomodo Munga, MP  
Lungalunga Constituency

### **UDM Party**

The Hon. Joseph Tonui, MP  
Kuresoi South Constituency

### **UDA Party**

### 1.3 Committee Secretariat

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

Ms. Christine Ndiritu

Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi

Clerk Assistant III

Ms. Winny Awino

Clerk Assistant III

Mr. Abdimalik Ahmed

Clerk Assistant III

Ms. Eunice Liavuli

Research Officer III

Ms. Noel Amutabi

Legal Counsel II

Ms. Georgina Okoth

Research Officer III

Mr. Edwin Machuki

Fiscal Analyst II

Mr. Stephen Otieno

Sergeant at Arms

Mr. Collins Mahamba

Audio Officer

Mr. Derrick Kathurima

Media Relations Officer

Ms. Mary Kamande

Protocol Officer

#### **1.4 Committee proceedings**

5. To produce this report, the Committee held twenty-six (26) sittings in which it examined the audited financial statements of twenty-six (26) State Corporations and the accompanying Reports by the Auditor-General.
6. 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 Vice Chancellors, Chief Principals and Principals (Accounting Officers) of various State Corporations and other relevant witnesses.
7. 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.
8. 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

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

### 2.1 Understaffing in the TVET institutions

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

### 2.2 Poor accounting standards and the general incapacity of some accounting officers

11. 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.

*The Committee recommends that 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).*

### **2.3 Late submission of supporting documentation**

12. 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 Public Finance Management Act, Cap. 412A. 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 Public Finance Management 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.*

13. 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.

### **2.4 Unsecured/ untitled land holdings**

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

*The Committee recommends that the 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.*

### **2.5 Failure to adhere to gender, ethnicity and regional balance**

15. Some institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight

concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from Accounting Officers that the lack of diversity was prevalent in the lower cadres, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable.

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

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

## **2.6 Delay of disbursements of capitation to the Institutions**

16. 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.

*The Committee recommends the Ministry of Education to intervene 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 be disbursed to institutions without undue delay.*

*Further, the committee recommends that the Institutions be encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.*

### **3.0 CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS (WESTERN)**

#### **3.1 KIBABII UNIVERSITY**

1. Professor Isaac Ipara Odera, The Vice Chancellor, accompanied by: -

- i) CPA Stella Kabuga – Senior Accountant Reporting
- ii) Dr. Eglay Tsuma- Registrar, Administration
- iii) CPA Jared Rading

Appeared before the Committee to adduce evidence on the audited accounts of Kibabii University, on 11<sup>th</sup> March 2024.

#### **3.2 Audited Statements for Financial Year 2018/19 (Unqualified Opinion)**

##### **3.2.1 Long Overdue Students Fee Debtors**

2. As of 30 June 2019, the statement of financial status showed total current receivables of KES.266,385,511, including student debtors' fees of KES.259,442,332. An aging analysis of individual balances showed that KES.59,812,807 had been overdue for over a year, violating the University Fees Management Policy. Management stated that debtor circularization is being used to determine recoverability, however this had not been determined at audit. Therefore, the recoverability of these balances is uncertain.

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

3. The overdue student fees debtor's balances were largely related to Privately Sponsored Students who had deferred their studies for different reasons including, lack of fees and health issues, while others with disciplinary cases had been suspended. The Kibabii University Student Handbook, 2016 provides that a student is allowed to defer their studies up to a maximum of three years. Despite these balances having been outstanding for more than a year, they were still within the three-year limit as provided for in the Student's Handbook (*Kibabii University Students Handbook, 2016 page 5*).

4. Actions taken;

- a) **Constitution of Debt Management Committee**

The University has constituted a Debt Management Committee that is tasked with the responsibility of following up on University debts. This will go a long way in giving reasonable assurance that the debts carried in the University books will be recovered. The Debt Management Committee has started to follow up the debts with an aim to recover. This is shown by evidence of students making commitments or proposing a payment plan to the University. The institution provided Sample Commitment letters/ Payment plans by students/Debt Management Committee Appointment Letter.

**b) Revision of Debt Management Policy**

The University has also reviewed its Debt Management Policy to make it more robust in debt recovery. The revised Debt Management Policy and Council Minutes approving the policy was provided.

**c) Automation of Student Management Process**

The University has automated students' management process by linking students' reporting, course registration and examinations to fees payment.

***Committee Observations***

5. The matter was resolved since the University has put effort in having the balance reduced as evidenced with the current year the amount is KES.4.8 million from the high of KES.59 million.

**3.2.2 Non-Compliance with the Law on Fiscal Responsibility-Wage Bill**

6. The statement of revenues and payments shows that 63% of total receipts of KES.1,280,941,516 from exchange, non-exchange, and capital grants were spent on employee remuneration. This violates Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which limits employee pay to 35% of total receipts. As a result, the management has violated the law.

***Management Response***

7. The University is in concurrence with the Office of the Auditor General's observation on the requirement of Regulation 26(1)(a) of the Public Financial Management (National Government) Regulations, 2015 which provides the limit for compensation of employees at 35% of the total receipts.

8. The University could not attain this requirement of 35% of total receipts because of its context as a service industry. The core mandate of the University is the provision of quality teaching, research and extension services. These are labor intensive as the University is required to employ qualified academic and administrative staff to achieve its mandate and to adhere to the Commission for University Education (CUE) regulations. This is the main reason why the University incurred the largest cost on salaries.
9. According to the 2015 CUE guidelines on establishment of new Universities in Kenya *(b): 2015 CUE Guidelines on Establishment of a New University in Kenya*, Chapter 6, Section 1, Subsection 2; each department should have at least; -
  - i. One professor/Associate Professor
  - ii. Two other academic staff at the level of lecturer (PhD holders)
10. The Commission for University Education, Universities Standards and Guidelines, 2014 PROG/STD/17 further guides on the qualification of academic programme heads, heads of academic programme specialization areas, the ratio of full time to part time academic staff members, minimum qualifications for academic staff, lecturer: student ratio, maximum number of students an academic staff can supervise in any given academic year and the maximum lecturer workload
11. The Commission for University Education, Universities Standards and Guidelines, 2014 PROG/STD/17 further guides on the qualification of academic programme heads, heads of academic programme specialization areas, the ratio of full time to part time academic staff members, minimum qualifications for academic staff, lecturer: student ratio, maximum number of students an academic staff can supervise in any given academic year and the maximum lecturer workload.
12. Some of the Challenges Experienced by Kibabii University in achieving 35 per cent Wage Bill to Revenue Ratio provided in the Public Finance Management (National Government) Regulations, 2015
  - (i) **Inadequate Funding:** Kibabii University faces a challenge of securing sufficient funding from Government sources and other revenue streams, leading to financial constraints in

meeting salary expenses. Over the years, Kibabii University has been funded at 46% by GoK instead of 80% of the Differentiated Unit Cost (DUC). The underfunding has occurred over the years since inception in 2012/2013 financial year to date. In some instances the budget cuts have seriously affected the University particularly on capital development funding. This affects the revenue base hence impacts negatively on attainment of the 35% wage bill requirement as stipulated under Regulation 26 (1) (a) of the Public Finance Management (National Government) Regulations, 2015.

- (ii) **Rising Personnel Costs due to unfunded CBAs:** Kibabii University struggles with escalating personnel costs, including salaries, benefits, and pension contributions as a result of unfunded nationally negotiated Collective Bargaining Agreements (CBAs). This makes it challenging to maintain a reasonable wage bill to revenue ratio.
- (iii) **Staffing Levels:** Staff-to-student ratios requirement by the Commission for University Education (CUE) contribute to increased wage bills. Kibabii University finds it difficult to strike a balance between maintaining quality education and managing costs.
- (iv) **Collective Bargaining Agreements:** Negotiations with labor unions and the implementation of Collective Bargaining Agreements influence wage bills. Meeting the agreed-upon terms while adhering to financial regulations is a complex task. Kibabii University has in the recent past negotiated zero CBAs with unions due to inadequate funding and guidance from Salaries and Remuneration Commission. If 2017-2021 CBA is fully implemented, the University's revenues will be enhanced consequently reducing the wage bill percentage.
- (v) **Revenue Generation:** Achieving the 35 per cent ratio may depend on the Kibabii University's ability to generate sufficient revenue. The University's ability to generate additional revenue streams are limited or/ unpredictable hence meeting the 35% ratio will be challenging considering its current situation.
- (vi) **Enrollment Fluctuations:** Changes in student enrollment levels impacts revenue. Over the years there has been fluctuations in enrollment without corresponding adjustments in funding hence the University struggles to maintain the required wage bill to revenue ratio.
- (vii) **The effects of Covid-19:** The University underperformed in Appropriation-In-Aid (AIA) collection as a result of suspended operations at the University in-line with Government

directive to close all learning Institutions in March, 2020 in order to curb the spread of Covid-19. This adversely affected semester dates and therefore revenues. The reduced revenues increased the wage bill ratio for the period 2020/21.

13. Actions taken;

- (i) Increase in Government Funding. The University has written to the Ministry of Education (MoE) to consider increase in funding. This is expected to be addressed by the new funding model if fully implemented by the Government of Kenya;
- (ii) Development of online academic modules and implementation of Blended Teaching. This has reduced face-to-face engagements thus reducing the wage bill.
- (iii) Staff separation without replacement unless in critical areas.

From the summary below, it is noted that the number of academic staff is increasing and the number of administrative staff decreasing.

**Table 1.0: Total Number of Academic and Administrative Staff**

<b>Description</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24 (As at Feb. 2023)</b>
No. of Academic Staff	116	116	121
No. of Administrative staff	314	300	289
	<b>430</b>	<b>416</b>	<b>410</b>

- (iv) Conversion of Administrative Staff to teaching instead of external recruitment. The University has an approved Staff Conversion Policy (**Appendix 5: Career Conversion Policy**) for converting qualified administrative staff to teaching positions to increase the number of lecturers and researchers without increasing the wage bill. This will enable the University adhere to CUE regulations without increasing the total number of staff as well. The following six (6) members of administrative staff who met CUE requirements were converted to teaching in the FY 2023/24:

*Table 1.1: Administrative Staff converted to Academic Staff*

S/NO	Department	Names	Designation	PF/No.	Grade	Term	Total Salary
1	EPM	Dr. Demtilla N. Sibilike	Lecturer	0116	12	permanent	180,377.00
2	Educational Psychology	Ms. Clarje Wakhungu	Tutorial Fellow	0297	11	contract	168,287.00
3	EPM	Mr. Onex D. Opati	Tutorial Fellow	0358	11	contract	157,943.00
4	Computer Science	Mr. Jackson Ng'etich	Tutorial Fellow	0251	11	contract	157,943.00
5	Biological Sciences	Mr. Godfrey Shem Juma	Tutorial Fellow	0315	11	contract	194,541.00
6	Biological Sciences	Mr. Stanlous Juma Waswa	Tutorial Fellow	0232	11	contract	168,768.00
<b>TOTAL</b>							<b>1,027,859</b>

(v) Internal promotion of staff instead of external recruitment.

#### 14. Wage Bill Trends

*Table 1.2 Wage Bill to Revenue Ratio and Staff Establishment*

	Wage Bill to Revenue Ratio			Staff Establishment		Remarks
	Wage Bill Expenditure	Revenue	Ratio of Wage Bill/ Revenue	Approved Establishment	In-post	
2020/21	874,988,593	1,006,687,212	0.87	690	427	High wage bill due to implementation of unfunded

						CBA, low income due to COVID1-19 measures
2021/22	883,659,546	1,142,533,675	0.77	730	430	
2022/23	819,750,280	1,082,400,967	0.76	770	416	

- (i) In 2022/2023, the University witnessed a notable decrease in its overall wage bill. Total expenditures on staff salaries reduced by 7.23% compared to the previous financial year 2021/2022, reaching Kshs. 819.75 million.
- (ii) The reduction in the wage bill is attributed to a combination of factors, including implementation of staff conversion policy, staff separation without recruitment, and minimized staff recruitment to only critical areas.
- (iii) In 2022, the University implemented cost containment measures, resulting in a modest decrease in the wage bill. This reduction was achieved through a temporary hiring freeze, and efficiency improvements in administrative processes.
- (iv) In 2021, there was a steady growth in the wage bill as the University undertook a strategic initiative to attract and retain top-tier faculty members. Investments in research and academic excellence led to increased hiring and higher salary expenditures.
- (v) The fluctuations in the ratio are indicative of the University's efforts to balance its commitment to competitive salaries for Faculty and staff with the need for financial sustainability.

***Committee Observations***

15. The institution has come up with online teaching to reduce the wage bill. A policy in place to have conversion from admin to teaching and avoid replacement unless it is for the most critical areas.

***Committee Recommendation***

16. The Committee recommends that the Auditor to report in the next audit cycle if the new funding model and the measures that the university is taking would have been in compliance

with Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which limits employee pay to 35% of total receipts.

### **3.2.3 Non-Compliance with Law on Ethnic Composition**

17. During the year under review, HR records showed that 319 employees (76.7%) out of a total of 416 are from one ethnicity. This contradicts Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N and Article 232 of the Constitution. As a result, the management has violated the law.

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

18. Reasons for non-compliance with Ethnicity are as below:

- (i) At the inception of Kibabii University College, staff from Masinde Muliro University of Science & Technology (MMUST) were seconded to work at Kibabii University College. After the award of the Kibabii University (KIBU) Charter in November, 2015 majority of staff who were from Luhya Community opted to remain at KIBU. Out of forty (40) employees who came from MMUST, thirty-three (33) staff were Luhyas (82.5%).
- (ii) Following the signing of the 2013-2017 National CBA between Inter-Public Universities Council Consultative Forum (IPUCCF) and KUDHEIHA Union on 15<sup>th</sup> March, 2017, Clause 10 stipulated that they convert all staff on casual terms to contractual terms. KUDHEIHA Union leaders thereafter went to Court seeking for orders to compel the University to implement the signed CBA which orders were granted by the Court to hire forty-seven (47) staff on casual terms to contractual terms where forty-two (42) staff were from Luhya Community.
- (iii) The Legal Notice provided for inheriting Kibabii Diploma Teachers College, its assets and staff. Majority of staff took every opportunity to apply for positions that were advertised at Kibabii University and were absorbed. It is noted that all the thirteen (13) staff who joined the University from Kibabii Diploma Teachers College (100%) were Luhyas.
- (iv) Reluctance by disadvantaged and marginalized groups in applying for arising job opportunities in the Institution. (The institution provided an Analysis of Ethnicity for Applicants for the last three Advertisements. To the committee.)

- (v) Location of the University also plays a key role in the ethnic composition. The University is located in a region dominated by Luhya community and thus most applications come from the Region.
- (vi) At inception of Kibabii University, the University did not have full time lecturers, and therefore relied on part time lecturers, majority of whom came from the Luhya Community. When the positions were advertised at the University, most part time Lecturers applied and were considered for the positions
- (vii) Despite conducive working conditions by the University such as timely salary payment, timely payment of statutory deductions, loan facilities, medical benefits, members of staff from other ethnic communities still exit the University. Below is a summary of Staff Exits:

**Table 1.4 Summary of Voluntary Staff Exits**

<b>FY</b>	<b>Ethnic Group</b>	<b>No. of Staff who Exited</b>	<b>% of Staff who exited</b>
2019/20	Luhya	2	33.3
	Other Ethnic Communities	4	66.6
<b>Total</b>		<b>6</b>	<b>100</b>
2020/21	Luhya	3	42.8
	Other Ethnic Communities	4	57.2
<b>Total</b>		<b>7</b>	<b>100</b>
2021/22	Luhya	6	75
	Other Ethnic Communities	2	25
<b>Total</b>		<b>8</b>	<b>100</b>
2022/23	Luhya	2	33.3
	Other Ethnic Communities	4	66.6
<b>Total</b>		<b>6</b>	<b>100</b>

- (viii) Failure of shortlisted candidates from disadvantaged and marginalized groups to turn up for interviews.

19. Failure of appointed candidates from disadvantaged and marginalized groups to take up positions

20. Actions taken; The University has put in place the following mitigation measures:

- (i) The University has not achieved optimal staffing level as per CUE requirements. The current number of academic staff is below the ideal staff establishment; the University cannot recruit because of Government policies on freeze of employment. If authority to recruit academic staff and funding is given by the Government it will mitigate ethnicity
- (ii) The University gives priority to less represented ethnic groups when an opportunity arises. When the University started a Learning Centre in Turkana, staff from the area were engaged in the Learning Centre. On the advice by the Ministry of Education to close the Learning Centre, the staff of the Centre were retained to work at Kibabii Main Campus.
- (iii) The University encourages online application and interviewing of candidates to allow distant and disadvantaged communities to apply for advertised employment opportunities and attend virtual interviews.
- (iv) The University has also ensured corruption-free recruitment process of its employees by having different panels to shortlist and interview.
- (v) The University has enhanced the performance of Human Resource Department and recruited qualified staff to manage human resources. HR Department has been placed at Level III in the Organizational Structure. The Department has developed various policies to ensure fairness in recruitment processes including KIBU Human Resource Policies and Procedures Manual, 2020 and Career Progression Guidelines, 2020.

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

21. The Committee observed that the University has tried to resolve the issue by giving priority to less represented ethnic groups when an opportunity arises because the current figure stands at 77% from the previously recorded percentage of 83%.

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

22. The Committee recommends that within six (6) months upon adoption of this report, the Accounting Officer must ensure that the percentage ratio for candidates from disadvantaged and marginalized groups are brought to within the requirements of the law and a report on the same submitted to the National Assembly.

### **3.2.4 Irregular variation of Construction of Academic Block Phase II (Main Works)**

#### **Contract**

23. The PPE balance of KES.2,093,070,461 includes buildings worth KES.891,851,597. The buildings include an Academic Block Phase II (Main Works) which was constructed under contract No. KIBUCO/50/14-15 at a contract sum of KES.206,799,010. According to the final statement, the University varied the contract by KES.16,977,920 (8.2%). Though the adjustments were sought through site instructions and accepted by the Accounting Officer, the tenderer did not provide a certificate justifying the cost pursuant to Section 139 of the Public Procurement and Asset Disposal Act, 2015. Consequently, it was impossible to determine if the University got value for its project money.

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

24. The variations were done towards the end of the project hence the amount of Kshs.16,977,920 was covered in certificates number three (3) and four (4) (The following documents were attached;- Academics Block Phase II: Certificates Number 3 & 4, Certificate of Practical Completion, Handing over Minutes, Tenderer Variation Justification and Photograph of Academic Block Phase II).

25. *Actions taken;* The certificates were availed for verification , that is, the *Academics Block Phase II: Certificates Number 3 & 4, Certificate of Practical Completion, Handing over Minutes and Tenderer Variation Justification and Photograph of Academic Block Phase II*).

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

26. The Committee observed that the issue has been addressed since the Auditor confirmed and verified the justification of the tender variation that was provided.

### **3.2.5 Delayed Delivery of a Surveillance System**

27. Note 18 to the FSs indicates a total expenditure of KES.219,427,973 for general expenses, with KES.13,190,910 allocated to payments for security services. An examination of payment records uncovered that a local consultant was granted a tender to provide, install, test, and commission a CCTV surveillance system on 27 July, 2018. The project needed to be finished within a 12-week timeframe. Nevertheless, on December 15, 2018, the contractor sought an extension of 20 weeks and pledged to finish the project by June 30, 2019. On June 10, 2019,

the contractor notified the University's management that the CCTV system installation and testing were completed and invited users for training. Nevertheless, the project had not been handed over and commissioned by the time of the audit in August 2019.

28. An audit conducted in September 2019 found that the contractor was not present on site during the audit. It was uncertain when the project would be completed as specified, despite the management providing a new performance bond from the contractor on October 15, 2019. Consequently, the University may not obtain value for money in the implementation of the system due to delays in completion.

### ***Management Response***

29. The Contractor informed management that installation and testing of CCTV system had been finalized and invited the users for training. Subsequently, a meeting was called for pre-hand over inspection with the Contractor where the following issues were noted;
- i) There were 16 CCTV cameras that had not been activated because of incompatible switches.
  - ii) The existing switches had no Power Over Ethernet (POE) and therefore could not be used in the activation of cameras.
  - iii) The Committee requested variation of contract to allow for inclusion of these switches which were missing in the Bills of Quantities (BQ). This was authorized by Management.
  - iv) The Contractor had to import the switches and therefore commissioning could not be done at the time.
30. Further, during pre-hand over meeting, the cameras operations were tested from the control room and the performance was found to be unsatisfactory. This was occasioned by slow speeds on the optical fiber connection between the server and Library. Three alternatives were available for Management; 1) To install a new fibre cable and/or 2) To buy media converters or 3) To redistribute the Network Video Recorders (NVR) so that one NVR serves the library and the control room, the second one serves the main administration block and the third serves the academia tuition block. Management settled on the last option as it had no financial implication.

31. There was also an issue with storage capacity and the Contractor promised to supply the appropriate memory.
32. Actions taken; The contractor satisfied all the requirements under the Contract and the CCTV surveillance system was commissioned and handed over to the University. It is still used to date.

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

33. The Committee observed that the matter remains unresolved as the university has yet to complete the operationalization of the system. The contract lacked liquidated damages to protect the institution from non-delivery, clearly indicating inadequate drafting of contracts by the institution.

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

34. The Committee recommends that The Vice-Chancellor should ensure that the project is complete and in use as per the contract within one month following the adoption of this report by the House.
35. The Committee further recommends that The Auditor is to verify and confirm the functionality of the system in the next audit cycle.

#### **3.2.6 Weakness in ICT Infrastructure-Weaknesses in Control Environment**

36. A review of the University ICT governance documents and interviews with Management revealed the lack of a council-level ICT Strategy Committee and no key staff ICT training program. The University has no established change request and upgrade processes for financial and performance information systems. Physical access to sensitive ICT environments and environmental controls are not covered by any policies. No emergency protocol was established and tested. No documented or authorized user management standards or procedures exist, and there are no procedures for reviewing user access permissions to verify alignment with duties.

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

37. The University Management took note of the issues raised by the auditor and developed ICT Policies which have been approved by the University Council
38. The University Management also ensured that ICT issues are incorporated in the mandate of the Finance, Strategy and Development Committee of Council

39. *Action taken;* The Information and Communication Technology (ICT) Policies and Procedures Manual was approved by the University Council

***Committee Observations***

40. The Committee observed that the matter has been addressed following the Auditor's confirmation and verification of the approved Information and Communication Technology (ICT) Policies and Procedures Manual by the University Council.

**3.2.7 Weakness in ICT Infrastructure-Lack of Disaster Recovery Plan and Business Continuity Plan**

41. The University lacks a Disaster Recovery Plan (DRP) and a Business Continuity Plan (BCP). Despite the daily backups scheduled for the Enterprise Resource Planning (ERP) system, there is no confirmation or validation of their successful completion. Moreover, the University does not utilize the timetable module within the ERP system, which is essential for processing payment claims from part-time lecturers, both internal and external.

42. As a result, the university is at risk of service disruption in the event of disasters, as well as unauthorized access to ICT infrastructure and system modifications.

***Management Response***

43. The University Management has developed the Disaster Recovery and Business Continuity Plans (*Appendix 22:- Information and Communication Technology (ICT) Policies and Procedures Manual*).

44. University has implemented the timetable module and is in use. Courses are linked with respective Lecturers and timetabling done through ERP system (*Appendix 22 b*).

45. *Action taken;* The Disaster Recovery and Business Continuity Plan was approved by the University Council (*Appendix 22:- Information and Communication Technology (ICT) Policies and Procedures Manual*).

***Committee Observations***

46. The Committee observed that the issue has been addressed following the provision of the Disaster Recovery Plan and Business Continuity Plan, which has been verified by the auditor.

**3.3 Audited Statements for Financial Year 2019/20 (Qualified Opinion)**

**3.3.1 Receivables from Exchange Transactions**

47. According to Note 24 to the FSs, the statement of financial position shows KES.256,862,020 in exchange transaction receivables, including KES.253,644,029 in student debtor fees. The student's debts included KES.28,833,449 from graduates and KES.2,219,070 from deferred students, according to supporting documentation. Clause 14.3 of the student's handbook allows students to defer studies for three years, however KES.226,700 has been outstanding for more than three years.
48. Additionally, KES.123,002,005 is for active but unreported students. Management said students had to report in the system, but it didn't explain why it took so long to enforce compliance. Management further stated that the certificates would only be issued if fees were cleared. The University has appointed a debt management committee to assess debt recoverability, but certificates withheld on fee defaulting, Council minutes approving graduation of students with fee balance, and the debt management committee report were not available for review.
49. In the circumstances, the recoverability of the student fee debtor balance of KES.253,644,029 could not be confirmed while the huge fees arrears continue to impact negatively on the University's budget implementation due to low revenue collection.

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

50. During the 2019/2020FY, the academic calendar was affected by the prolonged Covid-19 pandemic which affected revenue collection. The academic year was to end in April, 2020 but this was not possible due to the reasons stated above. The academic year actually resumed from November, 2020. This resulted to balances which would have ideally been cleared in the 2019/2020 FY.
51. The University initiated the process of debtor circularization and formation of Task force to analyze the report and make recommendations with a view of ascertaining whether these debts were collectable or not. In the event that the debts were uncollectable, the University Management would seek approval from the University Council for write off of bad debts. The Debt Management Committee established that all the graduations lists were approved by the University Council and all the students involved were still active and would pay their fees arrears before collection of certificates
52. Actions taken;

- (i) Management has implemented stringent measures in line with Debt Management Policy including; inability to report and register for courses when previous academic years/ semesters have not been completed and fees fully paid.
- (ii) Management is also actively following up on the student debtors and as a result, some have since been cleared while others have signed payments plans with the University.
- (iii) The University has also constituted a Debt Management Committee that is tasked with the responsibility of following up on university debts. This will go a long way in giving reasonable assurance that the debts carried in the University's books will be recovered.
- (iv) The University has also withheld certificates for students with fee debts. This will only be released upon clearance of the debts.

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

53. The Committee observed that it was resolved since the University has put effort in having the balance reduced as evidenced with the current year the amount is KES.4.8 million from the previous amount of KES.59 million.

#### **3.3.2 Non-Compliance with the Law on Ethnic Diversity.**

54. During the year under review, the total number of employees of university was 440 out of which 331 or 75% were members of the dominant ethnic community in the county. Further, the University recruited 33 officers during the year under review out of whom 19 or (58%) were from the dominant ethnic community in the County.

55. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N. In the circumstances, Management is in breach of the law.

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

56. Reasons for non-compliance with Ethnicity are as below:

- (i) At the inception of Kibabii University College, staff from Masinde Muliro University of Science & Technology (MMUST) were seconded to work at Kibabii University College. After the award of the Kibabii University (KIBU) Charter in November, 2015 majority of staff who were from Luhya Community opted to remain at KIBU. Out of forty (40) employees who came from MMUST, thirty-three (33) staff were Luhyas (82.5%).

- (ii) Following the signing of the 2013-2017 National CBA between Inter-Public Universities Council Consultative Forum (IPUCCF) and KUDHEIHA Union on 15<sup>th</sup> March, 2017, Clause 10 stipulated that they convert all staff on casual terms to contractual terms. KUDHEIHA Union leaders thereafter went to Court seeking for orders to compel the University to implement the signed CBA which orders were granted by the Court to hire forty-seven (47) staff on casual terms to contractual terms where all the forty-seven (47) staff were from Luhya Community.
- (iii) The Legal Notice provided for inheriting Kibabii Diploma Teachers College, its assets and staff. Majority of staff took every opportunity to apply for positions that were advertised at Kibabii University and were absorbed. It is noted that all the thirteen (13) staff who joined the University from Kibabii Diploma Teachers College (100%) were Luhyas.
- (iv) Reluctance by disadvantaged and marginalised groups in applying for job opportunities arising in the Institution.
- (v) Location of the University. The University is located in Luhya land and thus most applications come from the Luhya Region.
- (vi) At inception of Kibabii University, the University did not have full time lecturers, relied on part time lecturers, majority of whom came from the Luhya Community. When the positions were advertised at the University, most part time Lecturers applied and were considered for the positions.
- (vii) Despite conducive working conditions by the University such as timely salary payment, timely payment of statutory deductions, loans facilities, medical benefits, members of staff from other regions leave the University.
- (viii) Failure of shortlisted candidates from disadvantaged and marginalized groups to turn up for interviews.
- (ix) Failure of appointed candidates from disadvantaged and marginalized groups to take up positions.

57. Actions taken; The University has put in place the following mitigation measures:

- (i) The University has not achieved an optimal staffing level as per CUE requirements. The current number of academic staff is below the ideal staff establishment; the University

cannot recruit because of Government policies on freeze of employment. If authority to recruit academic staff and funding is given by the Government will mitigate ethnicity.

- (ii) The University gives priority to less represented ethnic groups when an opportunity arises. When the University started a learning Centre in Turkana, staff from the area were engaged in the Learning Centre. On the advice by the Ministry to close the Learning Centre, the staff of the Centre were retained to work at Kibabii Main Campus.
- (iii) The University encourages online application and interviewing candidates to allow distant and disadvantaged communities to apply for advertised employment opportunities and attend virtual interviews.
- (iv) The University has also ensured corruption-free recruitment process of its employees by having different panels to shortlist and interview candidates
- (v) The University has enhanced the performance of Human Resource Department and recruited qualified staff to manage human resources. HR Department has been placed at Level III in the Organizational Structure

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

- 58. The committee observed that the institution has come up with online teaching to reduce the wage bill. A policy is in place to have conversion from in-person attendance administration to online teaching and avoid replacement unless it is for most critical areas.

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

- 59. The Committee recommends that the Auditor to report in the next audit cycle if the new funding model and the measures that the university is taking would have helped them to be in compliance with Section 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which limits employee pay to 35% of total receipts.

### **3.3.3 Non-Compliance with the One Third of Basic Salary Rule**

- 60. Analysis of the University's payroll for the year under review revealed that a number of employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and Section 19 of the Employment Act, Cap. 226. The Management has not given an explanation for failure to comply with the policy. In the circumstances, Management is in breach of the law.

### ***Management Response***

61. The University is required by the Public Finance Management Act, Cap.412A under section 71 and further by Public Finance Management (National Government) Regulation, 2015 under Regulation 93, (5)(6)( 7) & (8) to recover un-surrendered amounts on staff advances not accounted within seven days of return to the duty station. Failure of which the Accounting Officer is deemed to have committed an offence under the Act. As contained in the excerpt of the Public Finance Management (National Government Regulations, 2015) below;

*(i) (5) A holder of a temporary imprest shall account for or surrender the imprest within 7 working days after returning to duty station.*

*(ii) (6) In the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.*

*(iii)(7) If the Accounting Officer does not recover the temporary imprest from the defaulting officer as provided for in this regulation the Accounting Officer commits an offence as provided for under the Act.*

*(iv) (8) In order to effectively and efficiently manage and control the issue of temporary imprests, an accounting officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.*

*(v) (9) If the accounting officer or AIE Holder fails to comply with the provisions of paragraph (8) He or she commits an offence as provided for under the Act.*

62. These are cases of staff who had failed to comply with Public Finance Management Act, 2012 and Public Finance Management (National Government) Regulations, 2015 and the University was therefore invoking the Act.

### ***Committee Observations***

63. The Committee observed that the issue has been resolved since the University handled this by invoking the Public Finance Management Act, Cap.412A and Public Finance Management (National Government) Regulation, 2015 and also signing MOUs with financial institutions

where the University gives an assurance that employee's pay slips can accommodate the facility being sought before issue. In the unlikely event that this is abused, then the non-statutory deductions are reduced to ensure all employees take home at least one-third of their basic salary. This has since been resolved and is not happening.

### **3.3.4 Lack of Information and Communication Technology (ICT) Continuity and Disaster Recovery Plan**

64. A review of the University's ICT governance documents revealed that the University did not have an ICT continuity and disaster recovery plan. As a result, no documented and tested emergency procedure had been put in place. Consequently, the University faces the risk of disruption of services in case of disasters.

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

65. The University Management has developed and ensured approval of the IT Continuity plan and disaster recovery plan by University the Council. The University undertakes both internal and off-site backups on hourly, daily and weekly basis.

66. *Actions taken;* ICT policy and procedure manual have been developed and approved by the University Council.

67. The Disaster Recovery and Business Continuity Plans were approved by the University Council as part of the ICT policies.

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

68. The Committee observed that the issue has been addressed following the provision of the Disaster Recovery Plan and Business Continuity Plan which have been verified by the auditor.

## **3.4 Audited statements for Financial Year 2020/21 (Qualified Opinion)**

### **3.4.1 Unsupported Refundable Deposits from Customers**

69. The statement of financial position and as disclosed in Note 29 to the FSs reflects a balance of KES.12,097,400 for refundable deposits by customers which includes a balance of KES.1,689,550 for unallocated deposits. Although the amount was explained by the Management as deposits in the University's various bank accounts, the nature and purpose of the amounts was not explained. Further, supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of deposit balance of KES.1,689,550 could not be confirmed.

***Management Response***

70. These were monies deposited to the University account whose beneficiaries and purpose could not be established as at the time of reporting, mainly due to lack of sufficient information in regard to the purpose and beneficiary. This was being held in the unallocated deposits liability account (a suspense account) as follow up is made with the bank and other organizations to establish the purpose and beneficiaries. Once this is established the funds would then be transferred to the relevant income accounts or refunded to the persons who deposited if the deposits were done to the University account by error.
71. *Actions taken;* Resolved; - A follow-up was done with the banks as well as other institutions and the funds posted to relevant revenue/ liability accounts.

***Committee Observations***

72. The Committee observed that the issue has been resolved since the university has operationalized the strategy in place resulting in the reduction of the balance to Kshs.180,000.

**3.4.2 Unresolved Prior Year Matters**

73. In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues as required or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template. In the circumstances, Management was in breach of the law.

***Management Response***

74. The University is working towards ensuring that all issues raised by the auditors are addressed. A good number of which have already been fully resolved while others e.g., ethnic diversity, wage bill and debtors are being addressed progressively as the University implements strategies that have been put in place to resolve the issues.
75. *Actions taken;* The Audit, Risk and Compliance Committee of Council follows up on the progress towards resolution of the issues raised by external auditors on a quarterly basis to

ensure that they are resolved. This Includes, Policies, Staff and Student debtor balances among others.

### ***Committee Observations***

76. The Committee observed that the issue has been resolved since a sample of the council minutes on unresolved prior year issues was provided and the auditor was in attendance in the meetings.

### **3.4.3 Non-Compliance with Law on Ethnic Composition**

77. During the year under review, the total number of employees of the University was 334, both teaching and non-teaching staff out of which 251 or 75 % of the total number were members from same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N. In the circumstances, Management was in breach of the law.

### ***Management Response***

78. Reasons for non-compliance with Ethnicity are as below:

- (i) At the inception of Kibabii University College, staff from Masinde Muliro University of Science & Technology (MMUST) were seconded to work at Kibabii University College. After the award of the Kibabii University (KIBU) Charter in November, 2015 majority of staff who were from Luhya Community opted to remain at KIBU. Out of forty (40) employees who came from MMUST, thirty-three (33) staff were Luhyas (82.5%).
- (ii) Following the signing of the 2013-2017 National CBA between Inter-Public Universities Council Consultative Forum (IPUCCF) and KUDHEIHA Union on 15<sup>th</sup> March, 2017, Clause 10 stipulated that they convert all staff on casual terms to contractual terms. KUDHEIHA Union leaders thereafter went to Court seeking for orders to compel the University to implement the signed CBA which orders were granted by the Court to hire forty-seven (47) staff on casual terms to contractual terms where all the forty-seven (47) staff were from Luhya Community.
- (iii) The Legal Notice provided for inheriting Kibabii Diploma Teachers College, its assets and staff. Majority of staff took every opportunity to apply for positions that were advertised at Kibabii University and were absorbed. It is noted that all the thirteen (13) staff who joined the

University from Kibabii Diploma Teachers College (100%) were from the local community (Luhya).

- (iv) Reluctance by disadvantaged and marginalized groups in applying for arising job opportunities in the Institution.
- (v) Location of the University. The University is located in a Luhya land and thus most applications come from the Luhya Region.
- (vi) At inception of Kibabii University, the University did not have full time lecturers, relied on part time lecturers, majority of whom came from the Luhya Community. When the positions were advertised at the University, most part time Lecturers applied and were considered for the positions.
- (vii) Despite conducive working conditions by the University such as timely salary payment, timely payment of statutory deductions, loans facilities, medical benefits, members of staff from other regions leave the University.
- (viii) Failure of shortlisted candidates from disadvantaged and marginalized groups to turn up for interviews.
- (ix) Failure of appointed candidates from disadvantaged and marginalized groups to take up positions.

79. The University has put in place the following mitigation measures:

- (i) The University has not achieved optimal staffing level as per CUE requirements. The current number of academic staff is below the ideal staff establishment; the University cannot recruit because of Government policies on freeze of employment. If authority to recruit academic staff and funding is given by the Government will mitigate ethnicity.
- (ii) The University gives priority to less represented ethnic groups when an opportunity arises. When the University started a learning Centre in Turkana, staff from the area were engaged in the Learning Centre. On the advice by the Ministry to close the Learning Centre, the staff of the Centre were retained to work at Kibabii Main Campus.

- (iii) The University encourages online application and interviewing candidates to allow distant and disadvantaged communities to apply for advertised employment opportunities and attend virtual interviews.
- (iv) The University has also ensured corruption-free recruitment process of its employees by having different panels to shortlist and interview candidates.
- (v) The University has enhanced the performance of Human Resource Department and recruited qualified staff to manage human resources. HR Department has been placed at Level III in the Organizational Structure.

### ***Committee Observations***

80. The Committee observed that the University has tried to resolve the issue by giving priority to less represented ethnic groups when an opportunity arises because the current figure stands at 77% from that of 83%.

### ***Committee Recommendation***

81. The Committee recommends that the Accounting Officer to ensure that the figure is reduced further to be within the requirements of the law. The auditor to confirm in the subsequent audits if the figure would have come down. Moreover, the Auditor to include in the subsequent audits, the People Living with Disabilities proportion.

### **3.4.4 Construction of University Student Centre**

82. The Management contracted a local construction Company to construct a student center, at a contract sum of KES.73,285,225 and a contract duration of 52 weeks, commencing on 9 October, 2020 and scheduled for completion on 8 October 2021. The contract period was thereafter extended for 16 more weeks, with the new completion date of 29 January, 2022.

83. However, physical site inspection on 5 April, 2022, revealed that the project was 85% complete and a total amount of KES.36,249,425 (about 49%) had been paid, yet the project was still behind schedule, despite extension of the contract period. In the circumstances, Management may not obtain value for money from the project.

### ***Management Response***

84. The University had a capital development funding cut in the Financial Years 2019/2020 and 2020/2021 as a result of Covid-19; where the Government prioritized curbing the spread of

the disease over Capital development. This was the main cause of the delay in project completion.

**Table 1.5: Capital Development Budgets and Receipts**

<b>Financial Year</b>	<b>Approved Budget</b>	<b>Revised Amount</b>	<b>Difference</b>	<b>Percentage Reduction</b>
FY 2019/2020	300,000,000.00	130,424,759.00	169,575,241.00	56.53%
FY 2020/2021	130,305,268.00	65,152,634.00	65,152,634.00	50.00%

***Committee Observations***

- 85. The Committee observed that the issue was addressed because the Auditor carried out physical verification of the project together with the documents submitted and confirmed that the project has since been completed and is in use.
- 86. The Committee further observed that the delay in completion of the project was affected by the Covid-19 pandemic which was a global phenomenon beyond the control of the University.

**3.4.5 Unauthorized over Expenditure**

- 87. The statement of comparison of budget and actual amounts indicates that the University expended KES.1,127,463,094 against an approved budget of KES.1,009,485,174 resulting to an over expenditure of KES.117,977,920. Management has not explained the over expenditure contrary to Regulation 43 (b) of the Public Finance Management (National Government) Regulations, 2015 which states that accounting officer shall ensure that public funds entrusted to their care are properly safe guarded and are applied for purposes for only which the funds were appropriated by the National Assembly. In the circumstances, Management was in breach of the law.

***Management Response***

- 88. The over expenditure above the allowable limit of 10% in the Public Finance Management (National Government) Regulations, 2015 was 1.68% which was attributed to the effects of Covid-19.
- 89. The University underperformed in Appropriation In Aid (AIA) collection because of suspended operations at the University in-line with Government directive to close all

learning Institutions in March, 2020 in order to curb the spread of Covid-19. This adversely affected semester dates and therefore revenues.

90. The Over absorption of funds was majorly because of reduced incomes. This led to a downward revision of the budget which meant that several activities did not have sufficient budget. Some of these activities were essential and others contracted therefore had to be undertaken despite the reduced revenues hence the overall over-expenditure. This also included salaries that the University continued to pay even when the students were away. At the time, the University was also required to implement the 2017-2021 Collective Bargaining Agreement (CBA) which was not funded by the Government of Kenya (GoK) hence resulting to the budget overrun.

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

91. The Committee observed that the over-expenditure was occasioned by reduced incomes that the University had anticipated to collect due to Government directive to close all learning Institutions in March, 2020 to curb the spread of Covid-19.
92. The Committee further observed that the University resumed normalcy and this is no longer an issue.

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

93. The Committee recommends that going forward, the university should seek approval for any overspending pursuant to Section 68 (1)(a) of the Public Finance Management Act, 412A.

### **3.5 KITALE NATIONAL POLYTECHNIC**

94. Mr. John Akola, the Principal, accompanied by: -
- i) Mr. Peter Soita- Registrar Administration
  - ii) Ms. Esther Nzambi-Procurement Officer
  - iii) CPA Brian Chiluba- internal Auditor
  - iv) CPA David Kurgat- Finance Officer
  - v) CPA. Sangok Philip- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Kitale National Polytechnic, on 11<sup>th</sup> March 2024.

### **3.6 Audited Statements for Financial Year 2018/19 (Adverse Opinion)**

### 3.6.1 Presentation of FSSs-Variiances Between Financial Statements Figures and Supporting Schedules

95. The Financial Statements submitted for Audit had figures that were different from the supporting schedules provided for audit on various expenditure items which were not explained or reconciled as indicated below:

Item	Financial statement Figure KES.	Schedules Figure KES.	Variance KES.
Staff capacity building	3,610,760.00	1,184,420.00	2,426,340.00
Performance contracting	2,847,261.00	2,951,661.00	(104,400.00)
Rendering of services- Fees and other related charges	89,695,306.00	387,339,966.00	(97,644,660.00)
Show, and exhibition, ISO, Strategic Planning, Books, furniture, CAPPA/KATTI/KEFFEB	28,895,551.00	24,087,263.00	4,808,288.00
Repairs and Maintenance	8,025,551.00	5,315,453.00	2,710,098.00
Transfer from the National Government Grants/Gifts in kind	63,690,278.00	51,840,000.00	11,850,278.00

#### *Management Response*

96. The schedules differed with the Financial Statement figures due to challenges faced by the Institution caused by the change in the reporting system from the cash basis to IPSAS accrual. The errors were corrected and updated schedules provided as follows.

<b>Item</b>	<b>Financial Statement Figure KES.</b>	<b>Updated Schedules Figure KES.</b>
Staff Capacity Building	3,610,760.00	3,610,760.00
Performance Contracting	2,847,261.00	2,847,261.00
Rendering of Services-Fees and other related Charges	289,695,306.00	289,695,306.00
Show, and exhibition, ISO, Strategic Planning, Books, furniture CAPPA KATTI KEFFFEB	28,895,551.00	28,895,551.00
Re airs and Maintenance	8,025,551.00	8,025,551.00
Transfer from the National Government Grants Gifts in Kind	63,690,278	63,690,278

***Committee observations***

97. The Committee observed that the issue is addressed since supporting schedules provided agree with the financial statements on the listed items.

**3.6.2 Presentation of FSs- Variances Between Financial Statement Figures and General Ledgers (GL)**

98. The Financial Statements submitted for audit had figures that differed from general ledgers provided for audit on various items which were not explained or reconciled as indicated below;

**(Amount in KES.)**

<b>Description</b>	<b>Amount as Per GL</b>	<b>Amount as Per FS</b>	<b>Difference</b>
--------------------	-----------------------------	-----------------------------	-------------------

Activity	14,120,724.00	14,200,888.00	(80,154.00)
Shows and Exhibition	1,110,734.00	1,350,734.00	(240,000.00)
I.S.O	52,200.00	1,350,734.00	(983,168.00)
Strategic Plan	1,816,280.00	1,816,280.00	-
KEFEP	2,295,145.00	2,177,932.00	117,213.00
C.A.P.A/KAITI	1,195,600.00	1,573,580.00	(377,980.00)
Books	1,139,077.00	2,151,683.00	(1,012,606.00)
Fire Equipment	45,600.00	1,382,709.00	(1,337,109.00)
Furniture Materials	2,311,893.00	3,206,582.00	(894,689.00)
RMI (Property, Equipment & Machinery)	5,315,452.80	8,025,551.00	(2,710,098.20)

### ***Management Response***

99. The General Ledger balances as noted by the Auditor differed with amounts in the Financial Statement due to financial reporting challenges corrected as follows.

**(Amount in KES.)**

<b>Description</b>	<b>Updated GL</b>	<b>Difference</b>
Activity	14,200,888.00	(80,154.00)
Shows and Exhibition	1,350,734.00	(240,000.00)
I.S.O	1,350,734.00	(983,168.00)
Strategic Plan	1,816,280.00	-
KEFEP	2,177,932.00	117,213.00
C.A.P.A/KATTI	1,573,580.00	(377,980.00)
Books	2,151,683.00	(1,012,606.00)
Fire Equipment	1,382,709.00	(1,337,109.00)
Furniture Materials	3,206,582.00	(894,689.00)
RMI (Property, Equipment & Machinery)	8,025.55	(2,710,098.20)

### *Committee observations*

100. The Committee observed that the issue is addressed since the supporting schedules provided agree with the financial statements on the listed items.

### **3.6.3 Variances in Opening Balances**

101. The financial statements submitted for audit had comparative balances for 2017/2018 in respect of property, plant and equipment balance of KES.1,330,761,853 instead of KES.1,330,776,853 reflected in the audited financial statement resulting to a variance of KES.15,000. Further, the comparative figure for current liabilities reflected a balance of KES.8,335,124 instead of KES.8,335,020 resulting to unreconciled variance of KES.104. The variance has not been explained or reconciled. Consequently, the accuracy of the financial statements could not be confirmed.

### *Management Response*

102. We acknowledge the variance in opening balance of PPE KES.15,000 and current Liabilities KES.104 was due to human errors. However, on examining the values, we note that they do not adversely impact on the reported balance of PPE. The correct values have been reported in the subsequent years after valuation of the Property, Plant and Equipment amounting to KES.2,094,093.

### *Committee observations*

103. The Committee observed that the Audit Issue is addressed because management provided reasons for the occurrence of the variances arising from previous years' balances that were not recorded correctly. The auditor was satisfied with the management's response.

### **3.6.4 Unreconciled and Unsupported Cash and Cash Equivalents**

104. The statement of financial position presented in Note 12 to the financial statements shows a cash and cash equivalents balance of KES 104,025,924, which includes a current account balance of KES 99,496,889 and a cash on hand balance of KES 4,529,035. Management provided bank reconciliation statements for only four (4) bank accounts, which hold a balance of KES 20,094,093. Additionally, a single certificate of balance was submitted for audit verification.

105. As a result, the accuracy, completeness, and fair representation of the cash and cash equivalents balance of KES 104,025,924 as of 30 June 2019 could not be verified.

### ***Management Response***

106. The management prepares bank reconciliation statements monthly in accordance with the Public Finance Management (National Government) Regulation, 2015. The bank balances as per the cashbook as at 30th June ,2019 were as tabled below;

	<b>Bank and Account Name</b>	<b>Account Number</b>	<b>Balance as per the Cashbook</b>
1	COOPERATIVE -Development	1139085509401	3,877,586.00
2	ABSA- Main Account	00382519650	77,292,826.00
3	KCB- Meals Account	1128048566	(2,302,859.00)
4	KCB Colle e Account	110808921	750,552.00
5	COOPERATIVE- Farm	1103085509400	19,878,784.00
	<b>Total</b>		<b>99,496,889.00</b>

107. The Certificates of bank balance and bank reconciliation statements for all the Polytechnic five (5) bank accounts for the period under review have been availed.

	<b>Bank and Account Name</b>	<b>Account Number</b>
1	COOPERATIVE - Development	01139085509401
2	ABSA- Main Account	00382519650
3	KCB- Meals Account	1128048566
4	KCB Colle e Account	110808921
5	COOPERATIVE- Farm	01103085509400

### ***Committee observations***

108. The matter has been resolved. The management response is adequate, as they have now supplied the bank certificates and reconciliation statements for both the cash books and bank accounts of the Polytechnic.

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

109. The statement of financial position and as disclosed in Note 16 to the financial statement reflects property, plant and equipment balance of KES.1,422,645,860 as at 30 June, 2019. This included plant and equipment donations valued at KES.107, 398,200 which were donated by a development partner through the Ministry of Education. However, Management did not provide for audit documents indicating the details of the assets that were received together with their respective values for audit review.

### ***Management Response***

110. The plant and Equipment were donated by a development partner through the Ministry of Education and delivered to the Polytechnic without details of purchase cost. The assets values were stated at estimated cost but currently the assets received have been valued.

***Committee observations***

111. The Committee observed that the issue was not addressed in the year under review rather it was addressed in subsequent FYs.

***Committee Recommendation***

112. The Committee recommends that the Accounting Officer to ensure that the audit documentation is provided promptly to the Auditor to avoid the recurrence of queries in subsequent FYs in compliance with Sections 68 and 81 of the Public Finance Management Act, Cap.412A. The Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap.412A.

113. The Committee recommends that the Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap.412B.

**3.6.6 Unsupported Capital/ Development Grants Received**

114. The statement of changes in net assets reflects capital/development grants received amount of KES.171,088,478. The amount included KES.107,398,200 in the form of plant and equipment received from the Ministry of Education. However, Management did not provide audit supporting documents in respect of the plant and equipment received.

115. Consequently, the accuracy and completeness of the capital/development grants figure of KES.171,088,478 for the year ended 30 June 2019 could not be confirmed.

***Management Response***

116. As indicated in the issue 3.0 above the plant and Equipment were donated by a development partner through the Ministry of Education and delivered to the Polytechnic without details of the cost.

117. The assets were stated at estimated cost however all the Polytechnic assets including those donated by the Ministry have been valued.

***Committee observations***

118. The Committee observed that the issue was not addressed in the year under review rather it was addressed in subsequent FYs.

***Committee Recommendation***

119. The Committee recommends that the Accounting Officer to ensure that the audit documentation is provided promptly to the Auditor to avoid the recurrence of queries in subsequent FYs in compliance with Sections 68 and 81 of the Public Finance Management Act, Cap. 412A.

120. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, 412A.

121. The Committee recommends that the Accounting Officer must at all times ensure that they prepare and keep proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, 412A.

122. The Committee recommends that the Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap.412B.

**3.6.7 Unsupported National Government Capitation Grants**

123. The statement of financial performance and as disclosed in Note 1 to financial statement reflects transfers from National Government -grants/gifts in kind figure of KES.63,690,278 in respect of capitation grants. However, Management provided the list of beneficiaries of grants for Ksh.51,840,000 leading to unexplained and unreconciled variance of KES.11,580,778.

124. Consequently, the accuracy and completeness of the capitation grant of KES.63,690,278 for the year ended 30 June 2019 could not be confirmed.

***Management Response***

125. The unsupported National Government-Grants/ Gifts in Kind amounting to KES.11, 850,778 was because of capitation grants due to students who were on attachment as at the time of audit review hence the funds had not been allocated to them. The management subsequently allocated the capitation grants to the beneficiaries when they reported back to the institution.

### *Committee observations*

126. The Committee observed that the issue is addressed because management has now allocated the balance of KES.11,850,778. Since the students who were out on attachment are back in session at the college.

### **3.6.8 Unconfirmed Inventories Balance**

127. The statement of financial position as disclosed in Note 15 to the financial statements reflects inventories balance of KES.2,500,000. However, the stock-take report/board of survey certificate as at 30 June 2019 was not provided for audit review.

128. Consequently, the accuracy of the inventories balance of KES.2,500,000 as at 30 June 2019 could not be confirmed.

### *Management Response*

129. This was an oversight since management undertakes stock verification in accordance with the Public Procurement and Asset Disposal Act, 2015 and a copy of the stock report has been attached confirming that as at 30th June 2019 the Polytechnic had an inventory balance of KES.2,500,000.

S/No.	Stores	Amount
1	Re air and Maintenance Stores	488,155.00
2	Electrical Stores	98,550.00
3	Cleaning Materials	199,282.00
4	Training Materials	1,188,397.00
5	Caterin	525,616.00
	<b>Total</b>	<b>2,500,000.00</b>

### *Committee observation*

130. The Committee observed that the issue is addressed as management provided the inventory count certificates which were verified by the auditor.

### **3.6.9 Receivables from Exchange Transactions**

131. The statement of financial position and as disclosed in Note 13 to the financial statements reflect receivables from exchange transactions balance of KES.75,563,175 as at 30 June 2019. This comprised of student debtors of KES.46,226,592, National Youth Service

debtors of KES.28,277,520 and rent debtors of KES.600,000. However, Management did not provide an ageing analysis for the receivables.

***Management Response***

132. The management noted this is an area for improvement due to a procedural gap and undertook an immediate action to remedy the issue by preparing ageing report for its receivables as guided.

***Committee observations***

133. The Committee observed that the issue has been addressed since the aging analysis was provided and verified by the auditor.

**3.6.10 Unsupported Trade and Other Payables**

134. The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables from exchange transactions balance of KES.23, 402,240 as at 30 June 2019. This comprised of trade payables balance of KES.23,294,930 and fees paid in advance amounting to KES.107, 310. However, the supporting documents were not availed provided audit review. In addition, records to show the age analysis were not availed for audit.

135. Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of KES.23,402,240 as at 30 June 2019 could not be ascertained.

***Management Response***

136. Similarly, the management noted that this is an area for improvement due to procedural gap and undertook an immediate action to remedy the issue by preparing ageing report for the trade and other payables of KES.23,294,930. The supporting schedules for fees paid in advance is as indicated.

***Committee observations***

137. The Committee observed that the issue has been addressed since the aging analysis was provided and verified by the auditor.

**3.6.11 Other Matter-Budgetary Control and Performance**

138. The Polytechnic had an approved revenue budget of KES.387,954,134 for the year ended 30 June, 2019 and realized revenue amounting to KES.385,180,960 resulting to under collection of Kshs.2,145,389. Similarly, the Polytechnic incurred actual expenditure of KES.316,

826,030 which excluded depreciation charge for the year of KES.147, 171,329 against an approved expenditure of KES.28, 806,185 or approximately 8% of the budget. Non-implementation of the budget as planned is an indication that planned projects/programs were not implemented as planned and thus stakeholders did not benefit from the complete projects.

***Management Response***

139. The Polytechnic did not realize revenue due to amongst other reasons government capitation (a major budget component) that was not fully and timely disbursed as committed. This impacts expenditure due to the uncertainties in remittance.

***Committee observations***

140. The Committee observed that the said matter has not addressed. Revenue not realized due to delay in disbursement of government capitation. The institution could not spend because of uncertainty regarding when they will receive capitation. The variation of 8% is acceptable as per the Auditor.

***Committee Recommendation***

141. The Committee directed that the parent Ministry must ensure that the budgeted funds for student capitation are disbursed in time to support learning.

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

142. During the year under review, the Polytechnic had eighty-three (83) permanent employees out of whom forty (40) or 48% were from the dominant ethnic community. This was contrary to Section 7 of the National Cohesion and Integration Act, Cap. 7N which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same community.

***Management Response***

143. The issue of non-compliance with the law on Ethnic Composition was as a result of previous recruitments where the Polytechnic employed staff on short-term contracts due to lack of resources that attracted staff majorly from the community.

144. Currently, the institute's recruitment strategy includes employing staff on permanent and pensionable terms through an advert in a media which has wide nationwide circulation. This

has resulted in the employment of individuals from various ethnic backgrounds that is Kamba, Turkana, Teso, Pokot, and Marakwet as demonstrated below.

S/No	Tribes	No. Of Staff	Percentage
1.	Luhya	96	52.75%
2.	Kalenjin	48	26.37%
3.	Sabaot	7	3.85%
4.	Teso	2	1.10%
5.	Turkana	3	1.65%
6.	Kamba	3	1.65%
7.	Luo	11	6.04%
8.	Kikuyu	8	4.40%
9.	Kisii	4	2.20%

145. The institution is committed to diversity and inclusivity in its workforce recruitment practices.

***Committee observations***

146. The Committee observed that the Status as at the time of appearance before the committee was 48%. A big percentage is the casuals who are mostly from the local community.

***Committee Recommendation***

147. The Committee recommends that the institution should adhere to the law and have the figure lowered in subsequent audits by making deliberate efforts during engagement of casual workers.

**3.6.13 Non-Compliance with one Third of Basic Salary Rule**

148. Analysis of the payroll for the year ended 30 June ,2018 showed that some staff earned net salaries that were less than a third of their respective basic salaries. This was contrary to section 19(3) of the Employment Act, Cap. 226 which provides that the total amount of all deductions that may be made by any employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister.

***Management Response***

149. The management acknowledges that there are staff who earn less than a third of their respective basic salaries and it was majorly caused by financial institutions that issued loans to them without consulting the institution.
150. The management has since issued instructions to financial institutions and created awareness through sensitization to employees on the one third basic salary rule.

***Committee observations***

151. The Committee observed that the employees had taken facilities with institutions that did not consult with the institution regarding the salaries of the concerned staff. This relates to other credit facilities that gives loans with consulting. The issue is still pending currently.
152. The Committee observed that there is no Microfinance Institution (MFI) that can adverse a loan(s) without consulting the employer.

***Committee Recommendation***

153. The committee reprimands the accounting officer for not operating within the law.

**3.6.14 Lack of IT Policies**

154. Audit review revealed that Kitale National Polytechnic did not have IT strategic committee at the board level to offer guidance on issues relating to ICC There was also no approved IT security policy, business continuity plan and disaster recovery plans. Further, the server room was cluttered and not well ventilated to offer conducive environment to host the IT equipment.

***Management Response***

155. We acknowledge that at the time of the audit review the Polytechnic did not have an IT Policy. With the understanding, the management developed a comprehensive IT Policy to ensure the security, integrity and proper utilization of information technology resources.
156. In addition, the server room is now fitted with an air conditioner for ventilation hence offering a conducive environment to host the IT equipment.

<b>S/No.</b>	<b>Description</b>
1	Extract of the Approved ICT policies
2	Minutes Approving the ICT Policies
3	Board Resolution to Install Air Conditioner in the Server room
4	Inspection and Acceptance Minutes of the Air Conditioner

157. The 5 | Photograph evidence of the Installed Air Conditioner following documents were provided to the committee;

***Committee observations***

158. The Committee observed that the issue is addressed since the Auditor reviewed the IT policies that are in place and confirmed they were working. Moreover, Management has now appointed an IT strategic committee offering guidance on issues relating to ICT.

**3.7 Audited Statements for Financial Year 2019/20 (Adverse Opinion)**

**3.7.1 Preparation and Presentation of the Financial Statements**

159. The Management of the Polytechnic did not prepare the financial statements in conformity with the reporting format approved by Public Sector Accounting Standards Board as follows:

- (i) The corporate governance statement section does not Indicate the number of Council meetings held during the year, Council succession planning, existence of a Council charter, process of appointment and removal of Board Members, roles and functions of the Council, induction and training, Council and Members performance, conflict of interest, Council Members remuneration, ethics and conduct as well as governance audit;
- (ii) Paragraph 2(t) containing a summary of significant policies under the estimates and assumptions states that furniture and fittings are to be depreciated at 10%. However, a depreciation of 12.5% was applied to furniture and fittings during the year under review and prior years;
- (iii)The general expenses amount reported in the statement of financial performance of KES.199,382,204 differed with the amount in the corresponding note which reflects KES.201,418,851 resulting in an unexplained and unreconciled variance of KES.2,036,647.
- (iv)The comparative figure in the statement of financial performance for repairs and maintenance is reflected as KES.8,025,551 while the corresponding note reflects KES.7,792,621 resulting in an unexplained and unreconciled variance of KES.232,390.

160. Consequently, Management did not comply with the prescribed format.

### ***Management Response***

161. We acknowledge that the FY 2019/2020 FS and Report did not adhere to the prescribed format which ensures consistency, comparability and transparency in reporting. Upon conducting a comprehensive review of the prescribed format requirements, we noted the following: -

- (i) The correct depreciation rate for furniture and fittings of 12.5% was applied as per the Approved Kitale National Polytechnic Finance Policy but was erroneously indicated as 10% under Paragraph 2 (1) containing a summary of significant policies.
- (ii) The general expenses amount reported in the statement of financial performance of KES.199,382,204 is the correct amount however it differed with the note due to a typographical error.
- (iii) The correct comparative amount as per the previous FY 2018/19 FS attached on note 9 for Repairs and Maintenance is KES.8,025,551 but was erroneously stated as KES.7,792,621 having omitted KES.232,930 for the repair of property.

162. In future the management has put in place measures to counter-check the FS figures against the comparative balances. The following documents were provided to the committee.

<b>S/No.</b>	<b>Description</b>
1.	Extract of the Finance Policy Page 24 Index 6.4
2.	Comparative Figure of Repairs and Maintenance

### ***Committee observations***

163. The Committee observed that Based on the response the Auditor confirmed that the issue is addressed because the Management has put up measures to correct issues on presentation of financial statements, recording the correct information, record the correct prior year balances by ensuring that financial statements are proofread for correctness before submission to the Auditor General.

#### **3.7.2 Unreconciled Differences Between the Financial Statements and the Ledgers**

164. Various FS components i.e., Activity, Advertising, Capacity Building, Helb Refunded, Inventory and sale of meals expenditures revealed differences between the ledgers balances

and the amounts reflected financial statements. In the circumstances, the accuracy and completeness of the financial could not be ascertained.

***Management Response***

165. The management reviewed the audit finding and noted unreconciled differences between the FS and the ledger balances was as a result of inconsistencies in data entry and processing.

166. To address this issue, we conducted a comprehensive analysis of our accounting records and rectified the discrepancies by updating the general ledgers.

***Committee observations***

167. The Committee observed that the issue is recurring from FY 2018/19 and has been addressed as management provided the ledgers/schedules that now agrees with amounts recorded in the financial statements

***Committee Recommendation***

168. The Committee recommends that Management should always support the amounts in the financial statements with ledgers/schedules that are accurate and reconciled pursuant to Sections 68 and 81 of the Public Finance Management Act, Cap.412A.

**3.7.3 Inaccuracies in the Statement of Changes in Net Asset**

169. Review of the statement of changes in net assets revealed inaccuracies as follows:

- (i) The statement of changes in net assets reflect KES.1,447,785,262 in respect of development grants balance brought forward. However, the FSs for the year 2018/2019 reflects KES.1,435,143,512 in respect of development grants resulting in an unexplained and unreconciled variance of KES.12,642,750; and
- (ii) The statement reflects development grants amounting to KES.64,765,998 captured as fair value adjustment on quoted investment. However, no supporting documents were provided for review in respect of development grants/fund as reflected in the statement.

170. In the circumstances, the accuracy of the opening balances in the statement of changes in net assets for the year under review could not be confirmed.

***Management Response***

171. The management acknowledges that the unreconciled variance of KES.12,642,750 was a result of conditional grants disbursed to construct Hospitality Department Workshop jointly funded by the Ministry and the Polytechnic.
172. The KES.64,765,998 stated in the statement of changes in net assets is additional capital reserves not as indicated in the report. The amount was based on internal valuation of prior year unrecognized assets.
173. The correction was affected in the FY 2021/22 where the management valued its assets hence correcting the errors highlighted.

***Committee observations***

174. The Committee observed that as it stands the assets are properly valued. The committee is satisfied with the response and the auditor confirmation that the assets are properly valued currently.

**3.7.4 Inaccuracies in the Statement of Cash Flows**

175. Review of statements of cash flows revealed the following inaccuracies:

- (i) The statement reflects net increase in cash and cash equivalents of KES.71,682,042 which is at variance with the recomputed cash and cash equivalents KES.72,297,273 resulting in an unexplained and unreconciled variance of KES.615,231.
- (ii) The statement reflects KES.4,291,748 in respect of cash out flows from investing activities. However, Note 19 to the FSs reflects additions to PPE amounting to KES.98,804,664 resulting in an unexplained and unreconciled variance of KES.94,512,916; and
- (iii) The statement reflects decrease in current receivables is reflected as KES.23,291, the net decrease as per the statement of financial position is KES.4,090,869 resulting in an unexplained and unreconciled variance of KES.19,200,778.

176. In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

***Management Response***

177. The management reviewed the variances and noted that:

- (i) The opening figure of KES.109,791,398 for FY 2017/18 was captured instead of KES.104,025,924 for FY 2018/19 thus affecting the accuracy of the Statement of Cash Flows on Net increase in cash and cash equivalent and net increase in PPE as at 30<sup>th</sup> June 2020.
- (ii) The current receivables decrease of KES.23,291,647 is as a result of closing receivables of KES.71,472,306 from exchange transactions in the FY 2019/2020 against receivables of KES.75,563,175 and KES.19,200,778 receivables from non-exchange transactions in the FY 2018/2019 as illustrated in the table below.

S/No.	Details	FY 2019/2020	FY 2018/19	Cash Flow
1.	Receivables from Exchange Transactions	71,472,306	75,563,171	4,090,869
2.	Receivables from Non-Exchange Transactions	-	19,200,778	19,200,778
<b>Total</b>		<b>71,472,306</b>	<b>94,763,953</b>	<b>23,291,647</b>

178. The management has however put in place mechanisms where the FS is thoroughly reviewed before presentation.

***Committee observation***

179. The Committee observed that the issue was caused by errors in the posting of transactions by the accountant who is the Head of Finance.

***Committee Recommendation***

180. The Committee reprimands the accountant for not operating within the law.

181. The Committee recommends comprehensive reconciliation on the amounts be undertaken by management in order to carry forward correct balances in the subsequent financial statements. The auditor to confirm this in the next audit cycle.

**3.7.5 Inaccuracies in Cash and Cash Equivalents**

182. The statement of financial position reflects cash and cash equivalents amounting to a balance of KES.181,653,440. Included in the amount is a cash in hand balance of KES.532,309 as reflected in Note 12(b) to the FSs. The cash at hand balances relate to cash records for five bank accounts operated by the Polytechnic. However, the amount included a negative cash at hand balance in respect of the main bank account amounting to KES.3,208,467, and

which was netted off from the other cash balances, to arrive at cash in hand balance of KES.532,309 as at 30 June, 2020.

183. Further the comparative amount for cash and cash equivalents in respect of 2018/2019 financial year is reflected in the statement of financial position as KES.104,025,924, which varies with the opening cash and cash equivalents amount in the statement of cash flows reflected as KES.109,971,398, resulting in an unexplained and unreconciled variance of KES.5,945,474.

184. In the circumstances, the accuracy and fair statement of the cash and cash equivalents amounting to KES.181,653,440 could not be confirmed.

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

185. The management reviewed the variances and noted that:

(i) The closing cash in hand as at 30<sup>th</sup> June 2020 was KES.532,309 which is adequately supported. The KES.3,208,467 indicated as overdrawn is as a result of payment vouchers which were erroneously posted in the main ledger and instead of the meals ledger.

(ii) The opening figure of KES.109,971,398 was erroneously captured from FY 2017/18 and instead of KES.104,025,924 for FY 2018/19.

186. The management has however put in place measures where the FS is thoroughly reviewed before presentation.

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

187. The Committee observed that it is a continuation of the previous issue caused by errors in reporting by the accountant.

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

188. The Committee reprimands the accountant for not operating within the law.

189. The Committee recommends that the Management should initiate measures to ensure accuracy of cashbook posting, the auditor to report on this in the next audit cycle.

### **3.7.6 Unsupported Council Capacity Building**

190. The statement of financial performance reflects an amount of KES.14,547,893 in respect of remuneration of Directors. Included in this amount is KES.859,625 in respect of Board Members capacity building, which was paid as sitting allowances, transport and per diem

to Board Members in February, 2020 while attending a two-day induction course in Kisumu. However, the expenditure was not supported with an induction programme which targeted new members, and a competency needs assessment had not been done to inform them on the basis for the training.

191. In the circumstances, validity of the payment of KES.859,625 in respect of Board Members capacity building, which was paid as sitting allowances, transport and per diem to Board Members could not be confirmed.

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

192. The training was a Ministry initiative where the Polytechnic role was to facilitate the Council sitting allowances, transport and per diem. The Management upon receipt of the directive prepared a budget that was approved and facilitated the Board Members for attending the training at the proposed venue as per the government guidelines.

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

193. The Committee observed that the documents were not provided at the time of the audit because the training took place outside the institution (Sigalagala) and took time to get the documents.
194. The Committee further observed that this should not happen because they could have been scanned and sent to the auditor. The accountant should have retrieved the documents in a timely manner and sent to the Auditor.

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

195. The Committee reprimands the accountant for not operating within the law due to the failure to provide the necessary support documentation as mandated by Sections 68 and 81 of the Public Finance Management Act, Cap. 412A.
196. The Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act , Cap. 412A.
197. The Accounting Officer must at all times ensure that they prepare and keep proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act Cap. 412A.

198. The Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap. 412B.

### **3.7.7 Unsupported Student Fees**

199. The statement of financial performance reflects KES.212,935,060 under rendering of services - fees from students. However, an amount of KES.206,440,445 was not supported with schedules detailing names of the individual students from whom fees was received. Further, Management was unable to generate the student enrolment from data from the ERP System where student database and fees payment and other financial transactions are managed. Also, a system report of the total number of invoiced students and number of invoices was not provided for audit review.

200. In the absence of student enrolment, invoiced student data and a list of students who paid the fees, the accuracy and completeness of student fees amount of KES.212,935,060 could not be confirmed.

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

201. The student fee of KES.206,440,445 has been supported adequately by schedules detailing names of the individual students and system generated student enrolment data as well as a system report of total number of invoiced students.

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

202. The Committee observed that based on the management response above, the Auditor confirmed that the issue is addressed because management has produced evidence detailing the students who paid the fees.

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

203. The Committee recommends that while no additional steps are necessary, it is essential that management consistently provides support for all payments reported in the financial statements in accordance with Sections 68 and 81 of the Public Finance Management Act, Cap. 412A.

### **3.7.8 Other Matter-Budgetary Control and Performance**

204. The statement of Comparison of Budget and Actual amounts reflects final receipts budget and actual on comparable basis of KES.579,754,031 and KES.444,025,052 respectively resulting in a shortfall of KES.135,728,979 or 23% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of KES.551,796,583 and KES.406,402,461 respectively resulting in an under performance amounting to KES.145,394,112 or 26%.
205. The revenue underperformance and under expenditure affected the planned activities and may have impacted negatively on service delivery to the students and stakeholders of Kitale National Polytechnic.

***Management Response***

206. The Polytechnic acknowledges to have had issues on its budgetary control and performance that is attributed to under disbursement of capitation grants from government. The shortfall in projected revenue directly affects its expenditure. Further, the Covid-19 pandemic forced the Polytechnic to suspend its operations hence revenue and expenditure were not actualized as initially projected.

***Committee observations***

207. The Committee observed that Covid-19 pandemic resulted in containment measures that resulted in closure of institutions hence the revenue and expenditure targets could not be realized.

***Committee Recommendation***

208. The Committee recommends that going forward, the Management should ensure to utilize budgetary allocation fully and realize the set revenue targets.

**3.7.9 Non-Compliance with One-Third Basic Salary Rule**

209. During the year ended 30 June, 2020, at least seven (7) employees earned a net salary less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and Section 19 (3) of the Employment Act, Cap. 226. The Management did not provide explanation for failure to comply with the policy.

210. In the circumstances, Management was in breach of the policy.

***Management Response***

211. The management acknowledges that there are staff who earn less than a third of their respective basic salaries. This was caused by financial institutions that issued loans to Polytechnic employees without consulting the institution.

212. The management has resolved this by issuing instructions to financial institutions and creating awareness through sensitization to employees on the one third basic salary rule.

***Committee observations***

213. The Committee observed that the employees had taken facilities with institutions that did not consult with the institution regarding the salaries of the staff concerned. This relates to other credit facilities that gives loans with consulting. The issue is still pending currently.

214. The Committee observed that there is no Micro-Finance Institution (MFI) that can adverse a loan(s) without consulting the employer.

***Committee Recommendation***

215. The Committee issues a reprimand to the accounting officer for failing to adhere to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016.

**3.7.10 Lack of Quarterly Stock Taking**

216. The Polytechnic conducted stock takes annually instead of quarterly as provided for in Section 162(2) of the Public Procurement and Assets Disposal Act, Cap.412C which require an entity to carry out quarterly stock take in each calendar year.

217. In the absence of quarterly stock take, the Polytechnic may not be able to prevent obsolescence and deterioration of stocks from preventable causes due to overstocking.

***Management Response***

218. The management notes that it only undertook annual stock takes and not quarterly stock takes. Currently, the undertakes quarterly stock take as provided in Section 162(2) of the PPAD Act, Cap. 412C.

***Committee observations***

219. The Committee observed that based on the above response, the Auditor confirmed that the issue is addressed because the Management carries out quarterly stock take on inventory and issues report.

**3.7.11 Lack of Remuneration Policy for Board Members**

220. During the year under review, the Council held meetings categorized as full council, special full council, committee meetings and special committee meetings. Review of the records and information relating to the meetings revealed following anomalies: (i) The Polytechnic operated without a formal and remuneration policy for Board Members during the year under review; (ii) The Polytechnic reimbursed Board Members transport expenses and paid per diem without proof of travel and without indication of the criteria used for such payments.; (iii) There was no prior declaration by Board Members of their places of residence for the purpose of payment of transport expenses and per diem; and (iv) The Polytechnic did not carry out an annual evaluation of its performance at the end of the period as required by the Mwongozo guidelines.

***Management Response***

221. The Kitale National Polytechnic Council members are guided by the Mwongozo Code of Governance and an approved Council Charter. Further, the transport and per diem expenses of the Board members are given at approved rates.

***Committee observations***

222. The Committee observed that the Kitale National Polytechnic has an approved Council Charter in place that has not be reviewed by the Auditor.

***Committee Recommendation***

223. The Committee recommends that the Accounting Officer sends the Charter to the Auditor for review and report on the next audit cycle.

**3.8 Audited Statements for Financial Year 2020/21 (Qualified Opinion)**

**3.8.1 Variance between Ledgers and the Financial Statements (FSs)**

224. The statement of financial performance and statement of financial position reflect variances between the reported balances in the financial statements and the supporting schedules i.e., Use of Goods and Services (Farm Expenses)-FSs amount of KES.1,416,725 is KES.22,400 more than the ledger balance; Revenue from Exchange Transactions (Rendering of Services)-FSs amount of KES.187,199,253 is KES.43,320 more than the ledger balance; and Receivables (Student Debtors)-FSs amount of KES.178,438,522 is KES.434,988 more than the ledger balance.

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

***Management Response***

226. The Ledgers balances varied with the FSs due to challenges encountered during the retrieval of the ledgers from ERP system but has since been rectified.

***Committee observations***

227. The Committee observed that the issue is a recurrence of the previous two FYs i.e., 2018/2019 and 2019/2020 and the Auditor confirmed that the issue has been resolved because Management has now provided support documentation on the cause of the variances

***Committee Recommendation***

228. The Committee recommends that the Management must consistently ensure that financial statement balances are backed by precise ledger and schedule balances, adhering to Sections 68 and 81 of the Public Finance Management Act, Cap.412A.

229. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap. 412A.

230. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

231. 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, Cap. 412B.

**3.8.2 Inaccuracies in Cash and Cash Equivalents**

232. The statement of financial position reflects a cash and cash equivalents balance of KES.259,399,819 as disclosed in Note 17 to the FSs, comprises of balances in the Polytechnic's 7 bank accounts and a petty cash balance. However, bank reconciliation statements for the month of June, 2021, for 4 accounts reflect payments in the cash book

not in bank statements amounting to KES.5,378,471. Further, bank reconciliation statements for 2 bank accounts reflect receipts in the bank not in the cash book totaling KES.4,829, 198. No explanation was provided for the failure to update the cash book with these receipts. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of KES.259,399,819 could not be confirmed.

***Management Response***

233. The cashbook has been updated with the receipts which were contra entries transaction erroneously omitted. The bank reconciliation statements for the two bank accounts have been prepared and presented as evidence.

***Committee observations***

234. The Committee observed that the said issue is a recurrence of the previous two FYs i.e., 2018/2019 and 2019/2020 and the Auditor confirmed that the issue has been resolved based on the evidence presented.

***Committee Recommendation***

235. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap.412A.

236. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

237. The Committee further recommends that 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, Cap. 412B.

**3.8.3 Lack of Valuation of Property, Plant and Equipment (PPE)**

238. The statement of financial position shows a PPE balance of KES.1,554,086,458 and Note 22 to the FSs shows 1,532,945,325, resulting in an unreconciled difference of KES.21,141,133. This amount includes KES.581,000,000 for the Polytechnic's 33.77-

hectare Kitale Municipality land. Management didn't submit a land valuation report to establish its value. The Polytechnic also has allotment documents for 9.057 and 10.048 hectares of land not included in PPE balance. Both plots are encroached upon by informal settlers. Consequently, the 30 June 2021 PPE balance of KES.1,554,086,458 could not be verified.

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

239. Note 22 of the FSs and report reflects accurately a balance of KES.1,554,086,458 under PPE.

The variances were due to casting errors, but the management has valued its land and accurately reported it in the subsequent years.

240. On the two parcels of land that have been encroached, the management has sought the intervention of the responsible authorities. In addition, the management did not include the parcels of land in its PPE due to lack of proper ownership documents.

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

241. The Committee observed that the said issue is a recurrence of the previous two FYs i.e., 2018/2019 and 2019/2020 and the Auditor confirmed that the issue has been resolved based on the evidence presented.

#### **3.8.4 Receivables from Exchange Transactions**

242. The statement of financial position reflects a balance of KES.187,667,297 under receivables from exchange transactions which, as disclosed in Note 18 to the FSs includes an amount of KES. 178,438,522, KES.8,001,800 and KES.1,226,975 relating to student debtors, sundry debtors, and internal debtors respectively. However, the balances were not supported by debtor's ledgers and aging analyses. In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of KES. 187,667,297 could not be confirmed.

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

243. The management routinely prepares debtors ledgers and aging analysis for its receivables as evidenced by the student debtors' ledgers and aging analysis amounting to KES.187,667,297 for the year ended 30<sup>th</sup> June 2021 availed.

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

244. The Committee observed that the said issue is a recurrence of the previous two FYs i.e., 2018/2019 and 2019/2020 and the Auditor confirmed that the issue has been resolved based on the evidence presented.

### **3.8.5 Budgetary Control and Performance**

245. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of KES.274,446,932 and KES.372,471,928 respectively resulting to an over-funding of KES.98,024,996 or 36% of the budget. Further, the Polytechnic spent KES.214,942,046 against an approved budget of KES.281,307,932 resulting in an under-expenditure of KES.66,365,885 or 24% of the budget. The under-funding and under-expenditure could have adversely affected the polytechnic from achieving its objectives.

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

246. The underspending was a result of Covid-19 pandemic that affected the operations of Polytechnic.

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

247. The Committee observed that the said issue is a recurrence of the previous two FYs i.e., 2018/2019 and 2019/2020 and the Auditor confirmed that the issue has been resolved based on the evidence presented.

### **3.8.6 Unresolved Prior Year Matters**

248. In the audit of the previous year several issues were raised. However, Management has not resolved the issues nor disclosed all the prior year matter as provided by the Public Sector Accounting Standards Board templates.

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

249. The issues have been escalated to the Committee for deliberations and any recommendations provided will be implemented by the Management.

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

250. Each unresolved audit finding adds to the backlog of deficiencies and weaknesses in internal controls, financial reporting processes, or compliance with regulations. Over time, the

accumulation of unresolved matters can create a complex web of risks and challenges that may be more difficult and costly to remediate.

251. Bases on the above response the Auditor was satisfied that the issue has been addressed because they have been escalated to the Audit Committee for recommendations that shall be implemented by the Management.

***Committee Recommendation***

252. The Committee recommends that the Auditor to confirm in the next audit cycle if the recommendations by the Committee have been addressed by the Management.

**3.8.7 Lack of Retirement Scheme for Permanent and Contracted Staff**

253. Review of the Polytechnic's records revealed that the Institution did not have a pension scheme for the permanent staff and does not deduct or pay service gratuity to the contracted staff after the end of their contract periods. This was contrary to the provisions of Section 15 of the Collective Bargaining Agreement signed between the Polytechnic and the staff union which states that all members of staff who are employed on permanent basis shall be eligible to join the pension scheme. Further, the agreement requires the o employer to contribute 20% and employees 10% per month and for contract staff, the employer shall pay such members a staff gratuity at the rate 31% of basic salary and payable upon expiry of the member of staff's appointment. In the circumstances, Management was in breach of the law.

***Management Response***

254. The Management acknowledges that it does not have a retirement scheme for Permanent and Contract Staff but has initiated the process of acquiring the scheme liaison with Retirement Benefit Authority (RBA). The process of acquiring the scheme is expected to be completed by the end of the FY 2023/24.

***Committee observations***

255. The Committee observed that the response indicated that management had made progress in having the issue addressed as they provided purchase requisition for the scheme liaison, evidence of tender documents and advertisement and communication with the RBA.

***Committee Recommendation***

256. The Committee recommends that the Accounting officer has six months to have the issue resolved. Auditor the confirm in next audit.

### **3.8.8 Delayed Completion of the Construction of the Tuition Complex**

257. The Polytechnic entered into a contract for the construction of a four-storey tuition complex at a contract sum of KES.38,866,106. The contract was to take a period of 2 years from 6 September, 2018 to 6 September, 2020. However, at the expiry of the contract period, the project had not been completed. The project was terminated and awarded to another contractor at a contract sum of KES.18,169,190 and a new completion date of 30 November, 2021. Although the Polytechnic paid KES.23,771,989 during the year under review, an audit inspection conducted in the month of December, 2021 revealed that the contract was at 50% completion stage. In these circumstances, the Polytechnic did not obtain value for money from the investment in the project.

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

258. The construction of the Tuition Complex has been completed despite the delays occasioned by the initial contractor and has been handed over to the Polytechnic. Currently, the complex is being used for teaching and learning.

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

259. The Committee observed that the Auditor confirmed the completion of the Complex as evidenced by the Practical Completion Certificate, Good of Defect Certificate and Certificate of Occupancy that were provided during committee engagements with the Polytechnic.

### **3.8.9 Unsupported Construction of Guidance and Counselling Block**

260. During the year under review, the Polytechnic entered into a contract for construction of a guidance and counselling block at a contract sum of KES.5,137,700 for a period of 4 months from 5 October, 2020 to 5 February, 2021. However, procurement documents, including appointment letters for tender opening and evaluation committee members, tender opening and evaluation minutes, regret letters, professional opinion and Bills of Quantity were not provided for audit review. In the circumstances, it was not possible to

confirm whether proper procurement procedures were followed and that value for money was realized in the investment.

### ***Management Response***

261. The construction of the Guidance and Counselling Block was done in accordance with the PPAD Act, Cap. 412C as evidenced by the following documents: -

- (i) Practical Completion Certificate;
- (ii) Good of Defect Certificate;
- (iii) Appointment Letters for Tender Opening and Evaluation Committee;
- (iv) Tender Opening and Evaluation Committee Minutes;
- (v) Personal Opinion; and
- (vi) Bill of Quantity.

### ***Committee observations***

262. The Committee observed that the documents were submitted late, and the Auditor did not have time to review the documentation to confirm if the issue has been resolved.

### ***Committee Recommendation***

263. The Committee recommends that auditor to review the submitted documents and report to the committee by COB 11<sup>th</sup> March 2024.

264. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap. 412A.

265. The Committee further recommends that the Accounting Officer must at all times ensure that they prepare and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

266. The Committee recommends that the Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap. 412B.

## **3.8.10 Delay in Implementation of the Integrated Enterprise Resource Planning (ERP) System**

267. The Polytechnic Management contracted for the delivery, installation, testing, training, commissioning, and maintenance of an integrated ERP system in three phases. Management paid KES.8,442,000 to the project in the reviewed year. However, tender registration, appointment letters to opening and evaluation committee members, award notification, professional opinion, and acceptance and rejection letters were not given for audit review. Our December 2021 audit found that the project's human resource management, payroll, procurement, and system administration modules were not working. In the circumstances, it was not possible to confirm whether proper procurement procedures were followed and that value for money was realized in the investment.

***Management Response***

268. The management agrees that at the time of audit review it had not implemented all the modules since this was being done in phases. Currently, all the phases are being implemented.

269. The documents in question i.e., tender opening and evaluation committee members, notification of award letter, professional opinion, acceptance and rejection letter were availed to the Auditor for review.

***Committee observations***

270. The Committee observed that the documents were submitted late, and the Auditor did not have time to review the documentation to confirm if the issue has been resolved.

***Committee Recommendation***

271. The Committee recommends that the auditor to review the submitted documents (Accounting Officer assertion that the system is complete and in use) and report to the committee by COB 11<sup>th</sup> March 2024.

**3.8.11 Irregular Comingling of Funds**

272. The Polytechnic did not open and maintain a deposit bank account in which caution money for students as well as retention money for contractors are kept. Failure to operate a separate account has led to the comingling of the Polytechnic's funds with those of third parties. In the circumstances, Management was in breach of law.

***Management Response***

273. The Polytechnic as at the time of Audit review did not have a separate account for caution and retention money for contracts. The Management later proceeded to transfer the funds from ABSA Main Account 038219650 to KCB Account 1108808921 as approved by the Governing Council.

***Committee observations***

274. The Committee observed that the irregular commingling of funds creates opportunities for fraud, embezzlement, or misappropriation of funds by individuals with access to the pooled resources. Without proper segregation of funds and adequate controls and oversight, there is a higher risk of unauthorized or fraudulent transactions, concealment of financial irregularities, or misuse of funds for personal gain.

275. Nevertheless, the Auditor confirmed that the issue has been resolved since the institution had already transferred the monies to a separate bank account as indicated above.

**3.8.12 Lack of Approved Staff Establishment**

276. The Review of the Polytechnic's records revealed that the institution operated without an approved staff establishment which helps in managing staff affairs like staffing, posting, training, skills retention, and succession. It was, therefore, not possible to establish the criteria used by the Polytechnic to fill positions in the various job groups and control over recruitment may not be functional. In these circumstances, the existence of an effective Human Resource could not be established.

***Management Response***

277. The Polytechnic has in place a staff establishment which has been approved by the Council

***Committee observations***

278. The Committee observed that the above was confirmed by the Auditor as they were satisfied with the copies of the Approved Staff Establishment and Council Minutes Approving the Staff Establishment which were given to them for review.

**3.8.13 Lack of Risk Management and Finance Controls**

279. The Review of records revealed that 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. This is in contravention of Regulation 165 (1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015. 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. In the circumstances, the existence of a Vibrant Risk Management mechanism could not be confirmed.

***Management Response***

280. The Polytechnic developed a risk management policy that highlights risk management strategies and provides guidelines on the preparation of the risk register.

***Committee observations***

281. The Committee observed that the Auditor confirmed that the issue has been resolved because they were satisfied with the copies of the Approved Risk Management Policy and Council Minutes Approving the Risk Management Policy which were provided to them for review.

**3.8.14 Lack of an updated Fixed Assets Register**

282. The assets register of the Polytechnic did not conform with the revised template issued by the National Treasury. It did not reflect serial numbers, source of funds, depreciation rate, net book value, opening balances, additions during the year, disposals, and the closing balances at the end of the year. In the circumstances, the existence of an effective mechanism to safeguard public assets could not be confirmed.

***Management Response***

283. The Polytechnic has valued its assets and updated its Fixed Asset Register to conform with the revised template as issued by the National Treasury.

***Committee observations***

284. The Committee observed that without an updated fixed assets register; the institution struggles to track and manage its assets. This can make asset location, condition, and use difficult to determine, raising the risk of loss, theft, or misuse.

285. The Committee observed that the Auditor confirmed that the issue has been resolved because they were satisfied with the copies of the Extract of the Fixed Assets Register and Council Minutes Adopting the Fixed Asset Register which were provided to them for review.

### **3.9 MUSAKASA TECHNICAL TRAINING INSTITUTE**

286. Mr. Geoffrey Khisa, the Principal, accompanied by: -

- i) CPA Christine Wamboka- Finance Officer
- ii) Musumba Oduor- Deputy Principal Administration

Appeared before the Committee to adduce evidence on the audited accounts of Musakasa Technical Training Institute, on 11<sup>th</sup> March 2024.

### **3.10 Audited Statements for Financial Year 2018/19 (Qualified Opinion)**

#### **3.10.1 Cash and Cash Equivalents**

287. Financial position shows KES.10,655,723 in cash and cash equivalents. The institution has KES.10,655,723 in cash, 3 Kenya Commercial Bank accounts, 1 Cooperative Bank account, and 1 Mpesa account. The bank balance certificates and reconciliations were produced, but the board of survey report validating bank and cash balances was not. This violated the National Treasury's year-end closing regulations, which require an Accounting Officer to appoint a Board of Survey to verify cash in hand and bank balances on the last working day of the year. Before the new fiscal year begins, this evaluation must be done. In the circumstances, the accuracy of cash and cash equivalents balance of KES.10,655,723 could not be confirmed.

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

288. The management agreed with the auditor's observation and provided the Board of Survey for FY: 2018/2019 and Bank Certificates to the Auditor for verification

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

289. The Committee observed that the said issue is adequately addressed as the auditor verified the availed board of survey reports and bank certificates.

#### **3.10.2 Property, Plant and Equipment (PPE)**

290. PPE net book balance is KES.133,575,452 per Note 21 to the FSs. However, minutes from the asset assessment committee formed by the Principal on 3 July 2018 validated the PPE movement schedule balance of KES.138,497,899 at the start of the financial year on 1 July 2018. How the reported values were calculated was not explained. During the year,

KES.1,950,000 was added to the assets balance of KES.7,856,156 for capital projects in progress without documentation. In the circumstances, the accuracy of the PPE balance of KES.133,575,452, could not be confirmed.

***Management Response***

291. The valuation report was done by Adhoc Committee within the Institute that was appointed by the accounting officer and provided the same as per attached.

***Committee observations***

292. The Committee observed that auditor expressed dissatisfaction with the response, noting that valuation must be conducted by government valuers. Consequently, the matter remains unresolved.

***Committee Recommendation***

293. The Committee recommends that the institute is required to resolve the issue within three months. The auditor will provide a report in the next audit cycle.

**3.10.3 Trade and Other Payables from Exchange Transactions**

294. The statement of financial position and Note 22 to the FSs show KES.2,708,362 for trade and other exchange payables. There was no individual creditors ledger to record supplier bills and demand payments for goods, services, and work. Additionally, ledger accounts with supplier payments and end-of-year balances were not provided. The creditors' aging study was not maintained; therefore, it was impossible to determine how long they had been outstanding. As of 30 June 2019, the trade, and other payables from exchange transactions balance of KES.2,708,362 could not be verified.

***Management Response***

295. The management agrees with the findings. Currently we are maintaining individual creditors ledger and creditors aging analysis.

***Committee observations***

296. The Committee observed that the matter has been sufficiently resolved, as the auditor confirmed the aging analysis and creditors ledger provided by the management.

**3.10.4 Statement of Changes in Net Assets**

297. The summary of changes in net assets includes KES.146,354,055 as revaluation reserve on July 1, 2018. There was no explanation or supporting documentation on how the initial and

revalued PPE amounts that resulted in a KES.146,354,055 revaluation reserve were calculated. The audited bank statement shows that the Ministry of Education wired KES.25,905,108 into the Institute's development bank account from August 2016 to April 2018, but these funds were not reflected in the net asset statement. The summary of changes in net assets does not include KES.3,566,000 credited to the development bank account on 31 May 2019. This made it impossible to verify the statement of changes in net assets balance of KES.156,564,333 for the year ended 30 June, 2019.

***Management Response***

298. The revaluation amounts of KES.146,354,055 was included in the assets that were revalued by the Adhoc committee at KES.138,497, 899 and additions during the financial year of KES.7,856,156

299. The amounts totalling to KES.25,905,108 was amongst the revalued amount on buildings and is included in the value of KES.38,483,741

300. The amounts of KES.25,905,108 and KES.3,566,000 were included in the statement of changes in Net Assets under the revalued amount of KES.146,354,055

***Committee observations***

301. The Committee observed that the corrections were verified but out of audit time.

***Committee Recommendation***

302. The Committee recommends that principal is required to comply with IPSAS 1 for the presentation of financial statements and IPSAS 17 for the recognition, measurement, and disclosure of PPE, while also operating within the audit timelines.

**3.10.5 Statement of Comparison of Budget and Actual Amounts**

303. The statement of comparison of budget and actual amounts shows actual income and expenses of KES.25,171,365 and KES.19,768,985, while the statement of financial performance shows total revenue and expenses of KES.31,531,365 and KES.18,054,646, resulting in variances of KES.6,360,000 and KES.1,714,339 that cannot be explained. The declaration of comparison of budget and actual numbers for the year under review was therefore unreliable.

***Management Response***

304. The statement of comparison of budget and actual amounts was maintained on cash basis which was an oversight since the institute was operating on IPSAS Accrual. This error was because of being first time adopters of IPSAS Accrual. However, the management has endeavoured to do the year-end adjustments in the FY. 2022/2023

***Committee observations***

305. The Committee observed that the corrections were verified but out of the audit timelines.

***Committee Recommendation***

306. The Committee recommends that the principal to operate within the audit timelines.

307. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap. 412A.

308. The Committee recommends that the Accounting Officer must at all times ensure that they prepare and keep proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

309. The Committee recommends that the Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap. 412B.

**3.10.6 Inaccuracies in the Statement of Cash Flows**

310. On June 30, 2019, the statement of cash flows showed KES.10,655,723 in cash and cash equivalents. The Institution received KES.3,566,000 in development grants on 31 May 2019 but did not include them in the statements of financial flows as cash inflows from other sources. The statement of cash flows did not include notes for the transfers from other government entities/grants balance of KES.9,360,000 and performance of services – student fees balance of KES.9,091,848. In the circumstances, the statement of cash flows' cash and cash equivalents balance of KES.10,655,723 was unreliable.

### ***Management Response***

311. The amounts of KES.3,566,000 were included under additions of Buildings which was ongoing project that was completed using the capital funds and transferred as additions to Buildings.

### ***Committee observations***

312. The Committee observed that the auditor verified corrections despite being out of the audit timelines.

### ***Committee Recommendation***

313. The Committee recommends that the principal is required to adhere to Sections 68 and 81 of the Public Finance Management Act, Cap. 412A (*responsibilities of Accounting Officers and the preparation of accurate financial statements*), as well as IPSAS 2 for Cash Flow Statements and IPSAS 1 for the Presentation of Financial Statements, while operating within the audit timelines.

### **3.10.7 Irregular Payments of Remuneration of Directors**

314. The statement of financial performance and Note 13 to the FSs show KES.1,755,300 in directors' pay. However, audit review records showed no documents supporting the appointment of board members, contrary to Chapter one of the Mwongozo 2015, which requires each board member to be formally appointed by name and notice in the Kenya Gazette and issued an appointment letter. The Management also failed to deduct PAYE tax on the members sitting allowance, violating Regulation 23(2)(a) of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to comply with all legal taxes, levies, and duties. In the circumstances, it was not possible to ascertain propriety of the expenditure of KES.1,755,300 incurred on remuneration of directors for the year under review.

### ***Management Response***

315. The appointment letters have been availed for verification

316. The management was in agreement with the auditor's observation however, during this period the management had not received SRC Circular from the Ministry over the

deduction of PAYE tax on the members sitting allowance. The deduction of PAYE tax on the members sitting allowance been done in the subsequent years.

***Committee observations***

317. The Committee observed that the said matter has been sufficiently resolved, as the auditor confirmed the appointment letters of the Board of Directors and reviewed a sample of PAYE deductions supplied by Management. This aligns with the response from Management.

**3.10.8 Unsupported Expenditure on Repair and Maintenance**

318. The statement of financial performance and Note 15 to the FSs include KES.265,593 for gate construction in the repair and maintenance balance of KES.1,442,545. The Management did not provide tender documents, contract agreement, bill of quantities, tender advertisement, tender evaluation minutes, certificate of works done, invoice, or local service order to support the expenditure, contrary to Section 9 (1)(e)(i) of the Public Audit Act, Cap. 412B, which states that the Auditor General shall have access to all books, records, returns, reports, electronic or otherwise, and other documents of entities listed under Article 229 (4) of the Constitution with respect to audit. In the circumstances, it was not possible to ascertain how the contractor was identified, the contract sum and the detail of works against which the payments were made.

***Management Response***

319. Payment & other related details have been availed relating to construction of Gate i.e., Tender documents, Contract Award letter, Tender Evaluation minutes, invoice and Local Service Order and cash receipt in support of the expenditure.

***Committee observations***

320. The Committee observed that the said issue is adequately addressed as the auditor confirmed the tender documents, as noted in the management response, and expressed satisfaction.

**3.10.9 Irregular Award of Contract on Proposed Renovations of Five (5) Classrooms.**

321. The statement of financial position and Note 21 to the FSs show KES.133,575,452 in PPE balance, including KES.7,856,156 in year-end additions. This amount includes KES.4,492,481 paid to a local contractor to renovate 5 classrooms for KES.4,976,260. According to contract evaluation committee minutes from April 24, 2018, another local

tenderer was disqualified for quoting KES.4,608,390, which was 16.3% below the engineer's estimate of KES.5,500,000. They received a regret letter on 2 May 2018 stating that their tender was failed. This contradicts Section 70(6) of the PPAD Act, 2015, which prohibits disqualification based on bidders' percentage of engineer's estimate. The Institute might have saved KES.367,870 by awarding the tender to the first tenderer. It was impossible to determine if the Institute gained value for money on the project.

***Management Response***

322. The tenderer of KES.4,496,260 was disqualified based on non-performance upon conducting due diligence.

***Committee observations***

323. The Committee observed that what is low is not the best. There must be value for money and expertise in doing the work within the set timelines.

***Committee Recommendation***

324. The Committee recommends that the Accounting Officer should ensure that going forward, there should be proper communication to disqualified firms in compliance with Section 70(6) of the Public Procurement and Asset Disposal Act, Cap.412C.

**3.10.10 Unsupported Expenditure on Employee Costs**

325. The statement of financial performance and Note 12 to the FSs reflects employee costs of KES.3,715,132 as salaries and wages. It was however noted that the Institution did not have an approved pay structure for the basic salaries and allowances. It was therefore not clear the basis the Institution used to pay its staff during the year under review, contrary to Article 230(4)(b) of the Constitution of Kenya, 2010 which states that the powers of the Salaries and Remuneration Commission include advising both the national and county governments on the remuneration and benefits of other public officers who are not state officers. Consequently, the Management of the Institution breached the law.

***Management Response***

326. The pay structure was approved by the College Board as per Board meeting Minute 03/MMUSTI /MAY/2021 dated 10/05/2021 in the principal's report.

***Committee observations***

327. The Committee observed that the issue was adequately addressed as the auditor verified the Pay structures which was approved in the year 2020/2021 FY.

### **3.10.11 Budgetary Control and Performance**

328. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of KES.31,169,774 and KES.25,171,365 respectively resulting to an under-funding of KES.5,998,409 or 19% of the budget. Similarly, the Institution expended KES.19,768,985 against an approved budget of KES.31,169,774 resulting to an under-expenditure of KES.11,400,789 or 37% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the students.

329. In addition, although the budget provided was approved by the board, no evidence was provided to confirm that the College submitted the budget for the year under review to the line Ministry for approval as per the guidelines on preparation of annual budget for a State Corporation.

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

330. The Management have enhanced budget adherence and revision of the budget to address the service delivery to the students. However, the management has endeavoured to do the year-end adjustments in the FY. 2022/2023

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

331. The Committee observed that the low collection of student fees and lack of exchequer was occasioned by the Covid-19 pandemic.

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

332. The Committee recommends that the auditor to monitor the situation and report the progress in the next audit. This is a common issue across many colleges which is due to delays in capitation disbursements and reduction of the same after the budget is made.

### **3.10.12 Late Submission of Financial Statements**

333. According to Section 47(1) of the Public Audit Act, Cap. 412B, the Constitution of Kenya and the Public Finance Management Act, Cap. 412A, the FSs are required to be submitted to the OAG within 3 months after the end of the FY to which the accounts relate. However, during the year under review, the financial statements for Musakasa Technical Training

Institute were submitted for audit on 17 October, 2019, seventeen days after the statutory deadline of 30 September, 2019. No explanation was given for the late submission of the financial statements outside the statutory timeline. In the circumstances, the Technical Training Institute Management acted in breach of the law.

### ***Management Response***

334. The institute, during the year under review was among the first-time adopters of the implementation of the IPSAS Accrual reporting system which posed a challenge to preparation of the financial statements. Currently the Institute have complied to the Statutory Deadlines.

### ***Committee observations***

335. The Committee observed that the delay in submitting the financial statements was due to the transition from Cash to Accrual accounting. The institution is currently submitting the FSs on time.

### ***Committee Recommendation***

336. The Committee recommends that the principal is to ensure the issue doesn't recur in future reporting and there is compliance with the submission times of FSs pursuant to Section 47(1) of the Public Audit Act, Cap.412B, the Constitution of Kenya, 2010, and the Public Finance Management Act, Cap.412A, requiring Accounting Officers to submit to the OAG FSs within 3 months after the end of the FY to which the accounts relate. The Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap. 412A.

337. The Committee recommends that the Accounting Officer must at all times ensure that they prepare and keep proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

338. The Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap. 412B.

### **3.10.13 Lack of a Board Charter**

339. Examination of the Institution records revealed that the board operated without a charter contrary to the Mwongozo Regulations on code of governance for state corporations which requires that the Board of Directors should develop and adopt a Board Charter which defines the roles, responsibilities, and functions of the board and that the board should periodically review its Board Charter. In the absence of the Board Charter, the board may not be able to fulfil their mandate as required.

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

340. The Institute has developed and adopted a board charter.

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

341. The Committee observed that the issue is adequately addressed as the auditor verified the approved Board Charter. Consequently, the institution has complied.

### **3.11 Audited statements for Financial Year 2019/20 (Qualified Opinion)**

#### **3.11.1 Capital Fund and Reserves**

342. The statement of financial position reflects a balance of KES.152,550,694 and KES.8,395,976 in respect Reserves and Capital Fund respectively. The balances have not been supported by way of notes to the financial statements as required by International Public Sector Accounting Standards (IPSAS) 1, which provides that all the components in the financial statements should be supported by way of notes. Consequently, the financial statements are not presented in accordance with IPSAS' reporting framework.

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

343. The amounts of KES.152,550,694 and KES.8,395,976 includes revaluation amounts and all asset additions through capital development funds which contributes to the Institutes ownership.

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

344. The Committee observed that the said auditor verified that the corrections were done but were out of audit time.

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

345. The Committee recommends that the principal to ensure that they operate within the set timelines to avoid the recurrence of this in future and they strictly comply with IPSAS' reporting framework.

### **3.11.2 Property, Plant and Equipment (PPE)-Additions in Assets**

346. The statement of financial position reflects PPE balance of KES.126,910,639 which as disclosed in Note 21 to the FSs includes an amount of KES.6,196,639 being additions during the year. However, the amount has not been supported with purchase documents such as local purchase orders, invoices, and cash sales.

347. Further, the certificate of work reflects an amount of KES.4,866,849 for WIP while Note 21 to the FSs reflects an amount of KES.4,380,165, resulting to an unreconciled difference of KES.486,684. Management has not disclosed in the FSs the depreciation policy used by the Institute. In addition, the assets register maintained by the Institute does not contain the required details such as suppliers or contractors, date of acquisition, estimated useful life, physical location, condition of the asset and serial numbers of the respective assets.

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

348. The Certificate of Works, Payment vouchers, invoices and cash Receipts have been provided. The certificate of work reflected an amount of KES.4,866,849 for WIP while Note 21 to the FSs includes an amount of KES.4,380,165, resulting to a reconciled difference of KES,486,684 which was 10% retention.

349. Management has disclosed in the financial statements the depreciation policy used by the Institute in a Finance Management Policy.

350. The Management has provided the assets register maintained by the Institute containing the required details such as suppliers or contractors, date of acquisition, estimated useful life, physical location, condition of the asset and serial numbers of the respective assets.

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

351. The Committee observed that the Management provided invoices, cash sales documents, certificates for work done, Financial Policy showing the depreciation policy and asset register which have been verified by the auditor. Therefore, the issue has been adequately addressed.

### ***Committee Recommendation***

352. The Committee recommends that no additional action is required at this time; however, the Accounting Officer must ensure strict adherence to Regulation 143 of the Public Finance Management (National Government) Regulations, 2015 regarding the maintenance of an asset register.

### **3.11.3 Unsupported Trade and Other Payables**

353. The statement of financial position reflects a balance of KES.772,160 in respect of trade and other payables from exchange transactions. The balance has not been supported with a creditors' ledger showing details of invoices from suppliers, demand notes, and description of services rendered, or work done. The creditors' aging analysis was also not maintained hence it was not possible to determine how long the creditors have been outstanding. In the circumstances, the accuracy and completeness of the trade and other payables balance of KES.772,160 could not be confirmed.

### ***Management Response***

354. The management has enhanced its internal controls to ensure that creditors ledgers are maintained and aging done accordingly as evidenced by Creditors Aging Analysis and Creditors Ledgers that were submitted to the auditor for verification.

### ***Committee observations***

355. The Committee observed that the issue is adequately addressed as the auditor was satisfied after verifying the creditors aging analysis and creditors ledgers.

### ***Committee Recommendation***

356. The Committee recommends that the issue has been resolved, so no further action is required. Nonetheless, the Accounting Officer must ensure that the institution complies with Section 68 of the Public Finance Management Act, Cap. 412A, which delineates the responsibilities of Accounting Officers, including the accuracy of all financial records and the maintenance of proper documentation.

#### **3.11.4 Lack of Trial Balance**

357. Management did not provide for audit review the trial balance as at 30 June, 2020 to support the figures and balances reflected in the financial statements in line with Regulation 57(2 & 3) of the Public Finance Management (National Government) Regulations, 2015. Consequently, the accuracy and completeness of the financial statements could not be confirmed.

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

358. The management agreed with the auditor's observation. The Trial Balance has been provided to the auditor.

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

359. The Committee observed that the issue is adequately addressed as the auditor was satisfied after verifying the availed trial balance by management.

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

360. The Committee recommends that the issue has been resolved, so no further action is required. Nonetheless, the Accounting Officer must ensure that the institution complies with Regulation 57 (2) & (3) of the Public Finance Management Act (National Government) Regulations, 2015.

#### **3.11.5 Budgetary Control and Performance**

361. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of KES.36,078,800 and KES.25,299,017 respectively resulting to an under-funding of KES.10,779,784 or 30% of the budget. Similarly, the Institute expended KES.22,321,272 against an approved budget of KES.22,321,272 resulting to an under-expenditure of KES.13,756,828 or 38% of the budget.

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

362. Under-expenditure was due to lack collection of all fees from students due to Covid-19 pandemic.

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

363. The Committee observed that the pandemic was a cross-cutting issue that affected most institutions.

### ***Committee Recommendation***

364. The Committee recommends that under the current operating environment, the principal to ensure this does not recur.

### **3.11.6 Late Submission of Financial Statements**

365. The financial statements of the Institute for the year under review were submitted for audit on 18 November, 2020, and not within the statutory deadline of 30 September, 2020, as required by Section 47(1) of the Public Audit Act, Cap.412B and Section 6 (2)(k) of the Public Finance Management Act, Cap.412A which provide that financial statements should be submitted for audit within three months after the end of the financial year to which the accounts relate. In the circumstances, Management in breach of the law.

### ***Management Response***

366. The Institute, during the year under review was among the first-time adopters of the implementation of the IPSAS Accrual reporting system which posed a challenge to preparation of the financial statements. Currently the Institute have complied to the Statutory Deadlines.

### ***Committee observations***

367. The Committee observed that the issue is adequately addressed as the auditor verified evidence of subsequent year compliance. Therefore, the issue is resolved.

### **3.11.7 Remuneration of Directors-Irregular Payment of Sitting Allowance**

368. Included in the remuneration of Directors balance of KES.1,271,040 is an amount of KES.141,000 which was paid as sitting allowance to two persons who did not qualify for a sitting allowance as they were public officers in receipt of a salary contrary to the provisions of Section 10(1) of the State Corporations Act, Cap 446 which states that the chairman and members of a Board, other than the Chief Executive Officer and public officers in receipt of salary, should be paid out of the Funds of the state corporation such sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time as the Committee approve.

### ***Management Response***

369. The issue has been addressed and all public officers in receipt of a salary contrary to the provisions of Section 10 (1) of the State Corporations Act, Cap 446, have stopped getting sitting allowances.

### ***Committee observations***

370. The Committee observed that the auditor verified the evidence, but no proper justification provided why they were paid. The officers paid are the then principal and deputy and are still within the service.

### ***Committee Recommendation***

371. The Committee recommends that the two officers are required to be surcharged and to refund the money within three months following the adoption of this report by the National Assembly.

### **3.11.8 Remuneration of Directors-Non-Deduction of Pay as You Earn (PAYE)**

372. The statement of financial performance reflects an expenditure of KES.1,271,040 incurred by the Institute as remuneration of Directors. However, no evidence was provided to show whether the Institute deducted and remitted PAYE thereon to KRA as required by Regulation 23(2)(a) of the Public Finance Management (National Government) Regulations, 2015. In the circumstances, Management is in breach of the law.

### ***Management Response***

373. The appointment letters have been availed for verification.

374. The management agreed with the auditor's observation however, during this period the management had not received SRC Circular from the Ministry over the deduction of Pay as you earn tax on the members sitting allowance. The deduction of Pay as you earn tax on the members sitting allowance been done in the subsequent years.

### ***Committee observations***

375. The Committee observed that the said issue is adequately addressed because the auditor is satisfied with the management response after verifying the deduction for compliance and appointment letters. Therefore, the issue is resolved.

### **3.11.9 Management of Temporary Imprest**

376. The statement of financial performance reflects an expenditure balance of KES.5,127,126 in respect of use of goods and services which includes an amount of KES.611,100 being temporary imprest paid to four officers. However, the imprest amount was not supported with an imprest warrants contrary to the provisions of Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015, which requires that there should be an effective and efficient way of managing and controlling temporary imprests. In the circumstances, Management is in breach of the law.

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

377. The issue has been addressed through enhancing of current internal controls. The imprest amount has been supported by imprest warrants

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

378. The Committee observed that the issue is adequately addressed because the auditor is satisfied with the management response after verifying the copies of imprest warrants provided. Therefore, the issue is resolved.

### **3.11.10 Construction of Computer Laboratory**

379. The Institute awarded a contract for the construction of a computer laboratory block at a contract sum of KES.19,918,916. During the year under review, the contractor was paid an amount of KES.4,866,849. The contract document provided for audit indicates that the project was to be executed within 52 weeks from the date of site possession and the completion date was to be 4 April, 2021. The Bills of Quantity for the project was not provided for audit review. As a result, it was not possible to ascertain whether the contractor was paid for work done as per specifications. However, as at 3 May 2021, the project was not complete, and the contractor was not on site. In the circumstance, it has not been possible to establish whether value for money was obtained on the expenditure KES.4,866,849 spent on the project.

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

380. The project was not complete and due to non-disbursement of Capital Development funds from the Ministry of Education.

381. The Construction of computer Laboratory contract sum of KES.19,918,916.80. The total expended amount is KES.12,540,957 accounting to 63% completion status.

***Committee observations***

382. The Committee observed that the issue is adequately addressed because the auditor verified copy of Approved Bills of Quantities provided by the management.

**3.12 Audited Statements for Financial Year 2020/21 (Qualified Opinion)**

**3.12.1 Inaccuracies in the Financial Statements (FSs)**

383. The statement of cash flows reflects cash and cash equivalents balance of KES.5,622,956 at the end of the year. However, when the statement is recomputed, it gives a balance of KES (671000) resulting in unexplained variance of KES.5,689,956. Further, the balance did not agree with cash and cash equivalents balance of KES.5,622,956 in the statement of financial position. The variances were not reconciled. In the circumstances, the accuracy and completeness of the financial statements could not be ascertained.

***Management Response***

384. The re-computation of the financial statements particularly the statement of cashflow, had a variance by the time of Audit in the letter of Management which was addressed as per the Certificate hence the balance agrees with the cash and cash equivalents balance of KES.5,622,956 in the statement of financial position

***Committee observations***

385. The Committee observed that the issue is adequately addressed because the auditor verified the re-computed financial statement which had no variance.

**3.12.2 Unresolved Prior Year Matters**

386. In the audit report of the previous year, a number of paragraphs were raised under the Report on FSs. However, Management has not resolved all the prior year matters as provided by the Public Sector Accounting Standards Board templates. Management did not give satisfactory explanation for the delay in resolving the issues.

***Management Response***

387. Management has resolved almost all the prior year matters as provided by the Public Sector Accounting Standards Board templates.

### ***Committee observations***

388. The Committee observed that the auditor was not satisfied because it was not clear how the prior year matters were resolved

### ***Committee Recommendation***

389. The Committee recommends that the institute has three months to address the issue. The auditor to report in the next audit cycle.

## **3.13 WANGA TECHNICAL AND VOCATIONAL COLLEGE MUMIAS**

390. Ms. Grace Wetende Opwora, Principal, accompanied by: -

- i) Mr. Akhemba-Finance Officer
- ii) Mr. Nyongesa-Human Resource Officer
- iii) Ms. Pauline-Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Wanga Technical and Vocational College Mumias, on 12<sup>th</sup> March 2024.

## **3.14 Audited statements for Financial Year 2020/21 (Adverse Opinion)**

### **3.14.1 Inconsistency in Reporting Period Reference**

391. The cover page of the report and financial statements of Wanga Technical and Vocational College indicate that the reporting period is for 22 months ended 30 June, 2021, while titles to financial statements reflect financial year ended 30 June, 2021. In the circumstances, the financial statements do not conform to provisions of the financial recommended financial reporting framework.

### ***Management Response***

392. The management agrees with the auditors' observation however we revised the cover page and the financial statements to be in line with Annual Report and Financial Statements for 22 Months. We have also attached evidence of subsequent Financial Year 2022/2023 to confirm compliance.

### ***Committee observations***

393. The Committee observed that the Auditor confirmed that the issue has been resolved, as it did not recur in the following years during which they have been reporting as required that is,

pursuant to IPSAS 1-Presentation of Financial Statements. This standard outlines the requirements for the presentation of financial statements, including the need for consistency and clarity in reporting periods. According to *IPSAS 1, financial statements should present information that is: Consistent:* The reporting period should be clearly stated and consistent across all documents; and *Accurate:* The financial statements should accurately reflect the reporting period to ensure transparency and reliability.

### 3.14.2 Variance Between Financial Statements and supporting Schedules

394. Variance were noted between the figures reported in the financial statements and those in supporting schedules as indicated below.

Item	Financial Statement Balance (KES)	Ledger Balance (KES)	Variance (KES)
Use of Goods and Services	5,441,562	4,456,716	984,846
Employee Costs	4,615,344	4,807,344	(190,000)
Depreciation and Amortization	2,457,027	2,375,021	82,006
Receivables from Non exchange Transactions	9,162,000	7,925,000	1,237,000
Inventory	96,705		96,705
Trade and other payables from Exchange transactions.	2,166,848	2,156,848	10,000
<b>TOTAL</b>	<b>23,939,486</b>	<b>21,718,929</b>	<b>2,220,557</b>

395. In the circumstances the accuracy of the balances reflected in the financial statements could not be confirmed.

#### *Management Response*

396. The management agrees with the above-mentioned observations. However, we identified that there were some omissions which occurred due to errors of posting since we were using manual system. Now we have acquired the accounting system to ensure the errors does not Occur again. AS the management we confirm that the Financial Statement Balances are correct.

#### *Committee observations*

397. The Committee observed that the Auditor confirmed that the issue has been resolved since they were satisfied upon reviewing the amended schedules that were provided.

### 3.14.3 Unsupported Procurement of Goods and Services

398. Review of documents provided indicated that payments amounting to KES.1,665,492 were made to three companies for supply of security services, t-shirts, carbon rods, accountable documents, and catering services. However, the respective procurement documents such as contracts, requisitions, tenders or quotations, evaluation reports and minutes, delivery notes, and stores records were not provided for audit review. In the circumstances, validity of the expenditure of KES.1,665,492 could not be confirmed.

***Management Response***

399. The management agrees with the audit observation however they were low-cost items that were directly sourced from list of prequalified firms from the sister institution MATILI TTI. Currently as the management we have the Procurement personnel in place to ensure we are complying. We have attached the invoices and payment vouchers for the security company in question totalling to KES.1,665,492.

***Committee observations***

400. The Committee observed that the issue has been adequately addressed because management provided procurement documents. Moreover, management also used a list of prequalified suppliers for the sister institution which is allowed. Therefore, the issue is resolved.

**3.14.4 Unsupported Receivables from Exchange Transactions**

401. The statement of financial position reflects current receivables from exchange transactions balance of KES.2,295,429 as at 30 June, 2021. However, ledgers, schedules, aging analysis and fee management policy were not provided for audit. In the circumstances, the accuracy and completeness of the receivables balance could not be confirmed.

***Management Response***

402. The management agrees as per the above observation however schedules with the aging analysis and the fees policy are attached for review.

***Committee observations***

403. The Committee observed that the Auditor confirmed that the issue has been resolved since they were satisfied upon reviewing the aging analysis and fee policy schedules that were provided.

**3.14.5 Unsupported Property, Plant and Equipment**

404. Included in the PPE balance of KES 66,134,284 are assets costing KES.64,569,326 that were acquired by mentor institution, Sang'alo Institute of Science and Technology, whose cost of acquisition was not supported by handover report from mentor institution or payment vouchers, invoices, delivery notes and store cards. In the circumstances, the accuracy and completeness of the balance of PPE amounting to KES.66,134,284 could not be confirmed.

***Management Response***

405. The Management is in agreement as per the observation made by auditors however assets mentioned above the figure was majorly on the building which was done by Sang'alo Institute of Science and Technology, we sent letters to the mentor institution requesting for the above-mentioned documents and we were only given, Request for variation document and minutes, letter approving variations, Certificate of Practical completion, handing over minutes, and handing over Certificate.

***Committee observations***

406. The Committee observed that the issue is partially resolved because, upon review of the documentation submitted, the Auditor noted that they lacked Payment Vouchers (PVs), Invoice delivery notes, and store cards.

***Committee Recommendation***

407. The Committee recommends that the Auditor shall be granted unrestricted access to information, including Payment Vouchers (PVs), Invoices, delivery notes, and store cards, in accordance with the Public Audit Act, Cap. 412B Section 9 (1e) (i)(ii) regarding unrestricted access to information. Additionally, IPSAS 17 (Property, Plant, and Equipment) mandates that entities accurately record and report all acquisitions and disposals of PPE. Furthermore, Sections 68 and 81 of the Public Finance Management Act, Cap. 412A outline the responsibilities of Accounting Officers for National Government Entities and Financial Reporting, respectively, which are essential for reaching a conclusion on this matter.

**3.14.6 Non-Compliance with law on Ethnic Composition**

408. Review of human resource documents indicates the College had 10 employees. However, all the 10 employees were from the same ethnic community, contrary to the provisions of Section 7(2) of the National Cohesion and integration Commission Act, Cap. 7N, which

provides that no public establishment shall have more than one third of its staff from the same ethnic community.

409. In the circumstances, Management is in breach of the law.

***Management Response***

410. The Management agrees with the above observation however the institution being young and new during the audit period with the financial constraints due to lack of funding could not attract employees from all over the country and all the ethnic groups, it could not hire more employees whom it could not be able to pay the salary due to its financial constraints, the above mentioned ten were casuals who were earning wages. As now we want to report that we are complying with the regulations since our trainers are comprised of several ethnic groups.

***Committee observations***

411. The Committee observed that with today's diverse and interconnected world puts institutions under scrutiny for diversity, equity, and inclusion, lack of diversity in the workforce can damage the institution's reputation and brand image, leading to negative publicity, or legal challenges. Management has not resolved the issue.

***Committee Recommendation***

412. The Committee recommends that the principal must make intentional efforts to significantly lower the figures to ensure adherence to Section 7(2) of the National Cohesion and Integration Commission Act, Cap.7N. The Auditor will provide an update on the progress achieved in the upcoming audit cycle.

**3.14.7 Unconfirmed Procurement of Goods and Services**

413. The statement of financial performance and as disclosed in Note 9 to the FSs reflect KES.5,441,562 under use of goods and services. However, expenditure totalling KES.1,239,800 was not supported with relevant documentation including requisitions, advertisements, contracts, award letters, tender committee minutes, professional opinion, inspection and acceptance reports, stores records and budget and approvals. This was contrary of Regulation 104 (1) of Public Finance Management (National Government) Regulations, 2015, which stipulates that all receipts and payment vouchers of public money shall be properly supported and authorized appropriately.

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

***Management Response***

415. The management agrees that there were no advertisements for the above-mentioned goods and services supplied since the institution was still young had not hired the procurement officer to carry out the exercise therefore as the management, we decided to borrow the list of suppliers of goods and services since the Public Procurement act allows that. The other above mentioned procurement documents are attached.

***Committee observations***

416. The Committee observed that the Auditor confirmed that the issue has been resolved since they were satisfied upon verifying the support documentation provided.

**3.14.8 Idle Borehole**

417. Included in the PPE balance of KES.66,134,284 is a borehole at cost of KES.2,000,000 that was funded by Mumias East Constituency which has remained unutilized since 2019. Further, another borehole funded by Lake Victoria North Water works Development Agency had been done just 6 metres apart, fitted with equipment and was being used. This has left the earlier one without use and incomplete.

418. In the circumstances, the College did not get value for its money on the expenditure of KES.2,000,000.

***Management Response***

419. The Management agrees with audit observation however we want to report that the borehole was sunk and Funded by Mumias East CDF no funds for the college were spent. We were only served by the amount spend on the borehole by the CDF office without any supporting documents, all the procedures and payments were done by CDF. We wrote to the office to serve us with the supporting documents but until today we haven't received any communication. The letter to Mumias East CDF and photograph of the borehole is attached. See Appendix 7(a, b)

### ***Committee observations***

420. The Committee observed that there are two boreholes 6 metres apart. One was done by Lake Victoria and is operational. The other one done by CDF (Which was entirely done by CDF i.e., procurement and financing) is sealed and not functional.

421. The Committee observed that the Management has not resolved the issue.

### ***Committee Recommendation***

422. The Committee recommends that to resolved that the Management seeks audience with Lake Victoria North Water Works Development Agency and the then MP to conclusively address the matter and the Auditor to review the status of the same during the subsequent audit cycle.

## **3.15 ST. AUGUSTINE TEACHERS TRAINING COLLEGE- EREGI**

423. Mr. Gideon Katua, the Principal, accompanied by: -

- i) Harriet Mahasi-Finance Officer
- ii) Hillary Mackenzie-ICT Officer
- iii) Kizito Wanjala -Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of St. Augustine Teachers Training College, on 12<sup>th</sup> March 2024.

## **3.16 Audited statements for Financial Year 2020/21 (Qualified Opinion)**

### **3.16.1 Lack of Ownership Documents for Property, Plant and Equipment (PPE)**

424. The statement of financial position reflects a PPE balance of KES.15,043,885. Excluded from the balance of KES.15,043,885 is an unknown value of land parcel No. 1097 measuring 21.5 hectares whose ownership documents were not availed for audit review. Under the circumstances, the accuracy and completeness of the balance of PPE amounting to KES.15,043,885 could not be confirmed.

### ***Management Response***

425. The Catholic Diocese of Kakamega in conjunction with the management of St. Augustine Egeria Teachers Training College initiated the process of determining the precise size of college land in acreage by involving licensed surveyor.
426. The process entailed carrying out sub-division to ascertain the exact parcel of land allocated to the college. Currently, the management has a copy of the college title deed held in trust by the Catholic Diocese of Kakamega.
427. Regarding PPE, the management noted the variances and wish to state the same should not recur in the subsequent years.

### ***Committee observations***

428. The Committee observed that the issue has not been fully addressed because ownership documents are provided but still held in trustees.

### ***Committee Recommendation***

429. The Committee recommends that the Principal to finalize the transfer within 3 months of adoption of this report by the National Assembly.

### **3.16.2 Undisclosed Property, Plant and Equipment (PPE)**

430. The balance sheet shows a PPE balance of KES 15,043,885. Not included in the balance of KES.15,043,885 is the value of land parcel No. 1097 measuring 21.5 hectares, along with various buildings, furniture, computers, equipment, and other assets held by the college. Moreover, the management fails to keep updated and thorough assets register. The PPE values lacked support from an updated comprehensive asset register detailing various aspects such as nature, acquisition dates, cost, unique identification number, current value, location/user, accumulated depreciation, and net book value. Given the situation, it was not possible to verify the accuracy and completeness of the KES.15,043,885 balance for PPE.

### ***Management Response***

431. Management engaged the relevant personnel to value our land, buildings, furniture and fittings, computers, and other assets and an asset register for the college is in place.

### ***Committee observations***

432. The Committee observed that on non-inclusion of related PPE items, management will address in subsequent year since valuation of land is still in ongoing.

433. The Committee further observed that the updated register provided and verified.

434. The Committee observed that the Auditor confirmed that the issue has been resolved since they were satisfied with the institution's response.

### **3.16.3 Depreciation and Amortization Expenses**

435. The statement of financial performance does not include depreciation and amortization expenses as required by the format prescribed by IPSAS Board. Under the circumstances, the accuracy and completeness of the balance of PPE amounting to KES.15,043,885 could not be confirmed.

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

436. There is a depreciation and amortization policy in place to guide on depreciation and amortization expenses.

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

437. The Committee observed that the issue has been adequately addressed because the management now have a policy guiding on the same.

### **3.16.4 Budgetary Control and Performance**

438. The statement of comparison of budget and actual amount indicates that the College had a final approved expenditure of KES.23,434,553 while the College utilized KES.27,404,542 during the year. No explanation was provided for the over utilization amounting to KES.3,969,989. In the circumstances, the College could have spent funds meant for other services.

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

439. The recovery from COVID-19 affected admissions of students in the affected financial year that resulted to low student turnout hence low fee collections from the anticipated number of students earlier on budget for.

440. Due to the increased number of students admitted back to session resulted to more revenue as well as expenditure from non-exchange transactions since the Ministry recalled for admission in September 2020.

### *Committee observations*

441. The Committee observed that the Auditor confirmed that the issue has been resolved since they verified the documentation supporting overfunding and adjusted budget.

### **3.16.5 Lack of Internal Audit Function**

442. Review of the year under audit showed that the College does not have an internal audit function as required by the Public Finance Management Act , Cap. 412A and Sec 61 (2)(d) of the Basic Education Act, Cap.211. In the circumstances, Management is in breach of the law.

### *Management Response*

443. The college uses the ministry of education auditors as internal audit.

### *Committee observations*

444. The Committee observed that the issue is adequately addressed as the auditor verified invitation letter to school's audit for internal audit and evidence of work

### **3.16.6 Lack of Board Charter and Work Plan**

445. It was observed that St. Augustine Eregi teachers Training College does not have a board charter and work plan to guide them on how to run College businesses in the year 2020/2021 under audit as required by Mwongozo Code of Governance for State Corporations guidelines. In the circumstances, Management is in breach of the law.

### *Management Response*

446. The management is in process of coming up with Board Charter and Work Plan.

### *Committee observations*

447. The Committee observed that the issue is not resolved because no copy of the Board Charter and Work Plan was verified.

### *Committee Recommendation*

448. The Committee recommends that upon adoption of this report by the House, the Accounting Officer is required to ensure that the Board Charter and workplan are institutionalised.

### **3.16.7 Lack of Human Resource Policy and Finance Policy**

449. In the year under review, the Management did not have a human resource policy and finance policy. Therefore, the Management of finance and human resource affairs was carried out without proper guidelines. In the circumstances, Management is in breach of the law.

### ***Management Response***

450. The college management fast-tracked the process and has come up with human Resource policy and financial management policy which was provided to the auditor for verification.

### ***Committee observations***

451. The Committee observed that the issue is adequately addressed because the auditor verified that the institution possessed a Human Resource Policy and a Finance Policy.

### **3.16.8 Lack of IT Service Continuity or Disaster Recovery Plan**

452. During the planning stage of the audit, there was a physical discussion with the management on issues of Information Technology (IT) processes and IT preparedness in case of any unforeseen challenges whether physical or otherwise. However, after it was observed that the St. Augustine Teachers Training College - Eregi did not have a data recovery strategy plan. Further, no offsite back-up storage facility exists which can be catastrophic if a disaster was to occur. This is compounded by the lack of an existing IT strategic committee which would advise on such gaps within the IT system.

### ***Management Response***

453. The management fast tracked the establishment of an IT strategic committee to come up with the systems which would enable the safeguarding of data.

### ***Committee observations***

454. The Committee observed that the Management provided Recovery strategy plan that was verified by the auditor. However, there is no evidence of IT Steering Committee in place as the principal was working with the Board to have the steering committee in place. Therefore, the issue is partially resolved.

### ***Committee Recommendation***

455. The Committee recommends that the Auditor to follow up on this and report to the committee within three months upon adoption of this report by the National Assembly.

## **3.17 ALUPE UNIVERSITY COLLEGE**

456. Prof. Peter Barasa, Vice Chancellor, Alupe University, accompanied by: -

- i) Ms. CPA Imelda Akhonga- Head of Finance
- ii) Mr. Nobert Musina- Head of Internal Audit

Appeared before the Committee to adduce evidence on the audited accounts of Alupe University College, on 12<sup>th</sup> March 2024.

### **3.18 Audited Statements for Financial Year 2018/19 (Unqualified Opinion)**

#### **3.18.1 Unconfirmed Balances Between Alupe University College and Moi University**

457. As previously reported in the year ended 30 June, 2018, the Management of the University College has not resolved unreconciled differences of KES.48,024,505 between the balance of KES.40,183,596 reported in the financial statements under trade and other payables from exchange transactions, and the corresponding balance of KES.88,208,101 reflected in an unsigned handing and taking over report of 19 March, 2018 with Moi University in respect to trade and other payables from exchange transactions owed to Moi University.
458. Management has not provided a reconciliation between the two sets or records.

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

459. A figure of KES.40,183,596 was ascertained from the records availed by Moi university to Alupe university college then after Alupe university college requested for information in support of liability owed to Moi university. As at the time of audit for the year ended 30th June 2019, KES.88,208,101 reflected in an unsigned handing and taking over report presented by Moi university had not been ascertained/verified by the respective management of the two institution (Refer to Minutes excerpt on Appendix 1).
460. Further, Alupe University College was a constituent College of Moi University and did not have a Council as well as its own budget before November 2016 and hence not operational. Between November 2016 and June, 2017, the capitation was being channelled to Moi University since employees at Alupe University then were seconded from Moi University.
461. Alupe university College was gazetted on 24th July 2015 via legal notice No.153 as a constituent College of Moi university. The council was appointed on 7th November 2016. Between August 2015 and June 2017, Alupe university college did not have its own budget, the capitation was being channelled to Moi university since employees at Alupe university college then were seconded from Moi university. Alupe university college received its first capitation in July, 2017.

462. A meeting between Moi university and Alupe university college joint management board held on 23rd April 2021 reported that the amount due to Moi university is KES.54,462,776.35 and agreed that the handing/taking over report of assets and liabilities be escalated to Moi university and Alupe university college councils for deliberation and resolution. (see minutes excerpt on appendix 2)
463. Additionally, a meeting of the full Council of Alupe University held on 27 October, 2023 resolved that the VC be mandated to write to the Principal Secretary for higher Education and Research who will in turn ask the National Treasury to consider a possible write off of the debt.
464. The vice chancellor has since written to the Principal Secretary for higher Education and Research as mandated by council and a waiting response.

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

465. The Committee observed that the Moi University demanding payment from Alupe yet they were under Moi that was receiving capitation on their behalf. These balances should not be there. Therefore, there should be an understanding from the two institutions why the balance is there.

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

466. The Committee recommends that the management of Alupe University to immediately hold meetings with the management of Moi University to have the issue addressed for there to be compliance with Regulation 43(a) of the Public Finance Management (National Government) Regulations, 2015 on ascertaining correctness of the Financial Statement. The Accounting Officer must at all times ensure that reconciliations are done in time and the complete financial statements submitted to the Auditor General within three months after close of the Financial Year as provided for in Article 229(4) (h) of the Constitution of Kenya, and section 81(4) (a) of the Public Finance Management Act, Cap.412A read together with Regulation 90 of the Public Finance Management (National Government) Regulations 2015.
467. The Committee recommends that the Accounting Officer should always ensure that the records are reconciled and analyzed with necessary supporting documents and submitted to the Auditor-General in compliance with provisions of Section 68(2) of the Public Finance Management Act , Cap. 412A and that complete financial and accounting records are presented to the Auditor-General pursuant to the provisions of Article 229 of the Constitution of Kenya 2010 and Section 68 (2) (k) of the Public Finance Management Act , Cap. 412A.

### **3.18.2 Land Without Ownership Documents**

468. Included in the PPE balance of KES.475,506,230 reflected in the statement of financial position as at 30 June, 2019 is an amount of KES.123,000,000 representing book value of land measuring 200 acres, which the University College inherited from Moi University. However, the College does not have a title deed for the land. However, Management has indicated that the process of transferring the title deed from Moi University to Alupe University College is on-going and is expected to be concluded in the financial year 2019/2020.

469. From the foregoing, it has not been possible to confirm the rightful owner of the parcel of land.

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

470. The process of handing/taking over including land transfer began in September 2018 but it took regrettably longer than expected. However, the management made efforts to obtain ownership of the land measuring 200 Acres in July 2022. (Evidence-Appendix 5: Certificate of lease and Appendix 6: Certificate of official Search)

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

471. The Committee observed that the issue has been adequately addressed since the Certificate of lease and Official search that were provided have been verified by the auditor.

### **3.18.3 Completed Fabricated Anatomy and Pathology Laboratory Not Operational**

472. The University College entered into a contract with a local contractor at a contract sum of KES.239,887,920. The works constitutes the erection and completion of prefabricated structures which includes an anatomy and pathology laboratory, biochemistry, microbiology and administration blocks. The contract was to commence on 11 May, 2018 with an initial completion date of 18 November, 2018 which was later extended to May, 2019. However, physical verification of the project revealed that all the three structures were complete, equipped and commissioned. However, the anatomy and pathology laboratory which was well equipped with cold room facilities for 16 bodies was not operational at the time of audit. Management has attributed the situation to budgetary constraints which has hampered the recruitment of a mortuary attendant.

473. In view of the foregoing, Management has not obtained value for money from the laboratory while students and the neighbouring communities have not received any services from the constructions as anticipated.

***Management Response***

474. The human Anatomy and Pathology Laboratory (Alupe University Farewell Home) was not operational as at the time of audit due to the delay in acquisition of licenses and getting a mortician on board. However, management made efforts to ensure that its operationalized as from 12th July 2023; and that the services are accessible to the neighbouring communities. (Evidence, Appendix 7: Registration certificate by the Kenya Medical Practitioners and Dentists Board; Appendix 8: Single business permit; Appendix 9: Photograph of clients visiting to view bodies of their kin together with the morticians.)

***Committee observations***

475. The Committee observed that the issue has been adequately addressed since the lab is operational. Therefore, the issue is resolved.

**3.18.4 Unapproved Payments of Imprests**

476. Scrutiny of the imprest records revealed that imprest totalling KES.778,090, was paid to various employees of the University College without approval as the relevant request for imprest vouchers were not examined and signed by a senior accountant, and finance officer and approved by the accounting officer. Management has, however, undertaken to ensure that all imprest requests are processed procedurally.

477. Weak controls over the processing of imprests may have resulted in the University College losing funds through paying imprests to ineligible staff and for ineligible services.

***Management Response***

478. All request for imprest were processed procedurally and were examined and signed by the senior accountant before approval by the principal or Deputy principal. However, the imprest vouchers were not signed by the finance office because the accountant in charge of vote book was the Acting Finance officer then, following the presidential proclamation on fresh vetting of public officers. Therefore, the finance officer was on compulsory leave between June 2018 and October 2018 (Refer to Appendix 10). The imprest vouchers were stamped PAID and

posted to the relevant ledger. Further, all request for an imprest were fully accounted for or surrendered.

***Committee observations***

479. The Committee observed that the issue has been adequately addressed since the auditor verified the Presidential proclamation of fresh vetting of public officers' letter to confirm why the payment vouchers were not approved. Upon returning to work, the payment vouchers were approved, stamped paid and then posted to relevant ledger. This was a post facto approval. Therefore, the issue is resolved.

**3.18.5 Weaknesses in the Internal Control Environment**

480. As previously reported, the University College has not concluded on the finalization of the Risk Management Policy, Internal Audit Manual, Code of Conduct for employees, Human Resource Manual, Disaster Recovery Plan/Business Continuity Plan all of which are in draft form and has not been launched to mitigate on the weaknesses in the internal control environments.

481. Further, no risk assessment has been carried out by the Internal Auditor both for the financial and academics, the core business of the University College. Other organizational risks have also not been assessed.

482. Although Management has explained that efforts to address these weaknesses are ongoing, the efforts are being hampered by inadequate funding.

***Management Response***

483. The Management wishes to clarify that, as at the time of the audit, all the policies were at zero draft. However, management made efforts to ensure that all policies were approved by the university council and implemented. Additionally, Alupe university code of conduct for employees were approved by Council as part of the Human Resource Policy Manual. The university management also ensured that risk assessment is carried out by the internal auditor before the development of a risk-based annual work plan.

***Committee observations***

484. The Committee observed that there was an approved Risk Management Policy, Internal Audit Manual, Code of Conduct for employees and Human Resource Manual that was verified by

the auditor. What was missing is the Disaster Recovery Plan/Business Continuity Plan that is at zero draft.

485. The Committee further observed that the Vice-Chancellor indicated that the Disaster Recovery Plan/Business Continuity Plan is awaiting Council approval by March 15, 2024 when the council will be meeting.

486. Therefore, the issue is partially resolved.

***Committee Recommendation***

487. The Committee recommends that the Accounting Officer to ensure adoption of the Disaster Recovery Plan/Business Continuity Plan by the Council within three months of adoption of this report by the National Assembly.

**3.19 Audited statements for Financial Year 2019/20 (Unqualified Opinion)**

**3.19.1 Land Without Ownership Documents**

488. As was reported in the previous year, the property, plant and equipment balance of KES.578,535,017 includes an amount of KES.123,000,000 representing book value of land measuring 200 acres, which the University College inherited from Moi University.

The College does not have any legal document such as title deed for the land.

489. However, although the Management had indicated that the process of transferring the title deed from Moi University to Alupe University College is on-going and was expected to be concluded during the current financial year, 2020, Management has not availed any new evidence on the progress made towards acquiring the ownership documents to safeguard against risk of irregular/illegal alienation of the land.

***Committee observations***

490. This Committee observed that there is a recurring issue from FY 2018/19 that had already been resolved. The recommendation on the same issue in FY 2018/19 applies.

**3.20 Audited statements for Financial Year 2020/21 (Qualified Opinion)**

**3.20.1 Inaccuracies in the Statement of Cash Flows**

491. Review of the statement of cash flows amounts and the amounts reflected in the statement of financial performance revealed an unexplained and unreconciled variance as shown below:

No.	Item	Variance (KES)
-----	------	----------------

1	Transfer from other government entities	16,057,541
2	Rendering services	(1,281,074)
3	Use of goods and services	(2,209,763)
4	Employee costs	8,328,797
5	Council expenses	247,250

492. Further, the statement of cash flows has excluded adjustments on working capital items, purchase of property plant and equipment amounting KES.69,673,680 and intangible assets amounting KES.833,375.

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

***Management Response***

494. The statement of cash flows cannot tally with the statement of financial performance since Alupe University College prepared the report in accordance with the IPSAS accrual basis of accounting method. The direct method of cash flow was used in the preparation of the cash flow while the statement of financial performance was prepared under the accrual method. We also complied to the revised reporting template for SAGAs which does not include working capital adjustments, and our purchase of PPE was correctly stated as KES. 88 million and not KES.69 million since it includes KES.69 million plus all cash outflows relating to PPE as required when using the direct method (see attached copy of cash flow reconciliation on

***Committee observations***

495. The Committee observed that the issue has been adequately addressed because the auditor agreed with management response since the variance was because of a change in reporting framework. Moreover, the auditor verified a copy of the cash flow reconciliation that was provided to them.

**3.20.2 Land Without Ownership Documents**

496. As was reported in previous years, the PPE balance of KES.646,409,855 includes an amount of KES.123,000,000 representing the book value of land measuring 200 acres, which the College inherited from Moi University. However, Management did not avail ownership documents for the land.

497. In the circumstances, the ownership status of the land could not be confirmed.

### ***Management Response***

498. The Management wishes to clarify that, as at the time of the audit, all the policies were at zero draft. However, management made efforts to ensure that all policies were approved by the university council and implemented. Additionally, Alupe university code of conduct for employees were approved by Council as part of the Human Resource Policy Manual. The university management also ensured that risk assessment is carried out by the internal auditor before the development of a risk-based annual work plan.

### ***Committee observations***

499. The Committee observed that this is a recurring issue from FYs 2018/19 and 2019/20 and had already been resolved. The recommendation on the same issue in FY 2018/19 applies.

## **3.21 BUNYALA TECHNICAL AND VOCATIONAL COLLEGE**

Mr. Emmanuel Wanyama, The Principal, accompanied by;

- i. Mr. Musungu Oduor- Deputy Principal Administration
- ii. Ms. Immaculate Namwakira- Finance officer

Appeared before the Committee to adduce evidence on the audited accounts of Bunyala Technical and Vocational College, on 12<sup>th</sup> March 2024.

## **3.22 Audited statements for financial year 2019/2020- Disclaimer of Opinion**

### **3.22.1 Failure to submit Financial Statements and Accounts for prior Period Operations**

500. The key entity information by management indicates that the College was established on 20 June 2017. However, the College Management did not prepare and submit for audit review, the annual reports and financial statements for the years prior to year ended 30 June 2020 in line with section 29 (2) of the Technical and Vocational Education and Training Act, Cap.210A which provides that within a period of four months from the end of each financial year, the Board of Governors shall submit to the Auditor-General or to an auditor appointed under the section, the accounts of the institution.

501. In addition, the statement of changes in net assets for the year ended 30 June, 2020 reflects retained earnings amounting to kshs.3,234,073 as at February, 2019 and transfers of depreciation and amortization from capital fund to retained earns amounting to kshs.2,765,974. Similarly, bank statements for bank accounts operated by the college reflect

opening balances brought forward from prior period amounting to the kshs. 804,562. However, the financial statements presented for audit review relate to the year ended 30 June, 2020, and do not reflect comparative balances for the prior periods.

### **Management Response**

502. The College operation from July 2017 to March 2019 was under Bumbe TTI. However, the institute did not have a Finance Officer during the prior year periods, the College has a Finance Officer and Financial Statements are now being submitted on time as required by law. The board of management inauguration was on 01/02/2019.

### **Committee observation**

503. The Committee observed that the issue has been addressed, as the necessary statements have been submitted, and the institution is now submitting the statements within the prescribed audit timelines.

### **Committee recommendation**

504. The Committee recommends that the accounting officer must at all times ensure compliance with Section 149 (2) (k) of the Public Finance Management Act, Cap.412A which states that in “carrying out a responsibility imposed by subsection (1) accounting officer shall in respect of the entity concerned not later than three months after the end of each financial year prepare annual financial statements for that financial year and submit to the Auditor General with a copy a copy to the county treasury”

### **3.22.2 Presentation of the Financial Statements**

505. Review of financial statements and information thereon revealed presentation anomalies as outlined below:

- i. The statement of compliance and basis of preparation in paragraph 2 of the notes to the financial statements does not indicate the specific arrears involving a higher degree of judgments or complexity, or where assumptions and estimates significant to the financial statements or the note where they are disclosed. Paragraph 3 of the notes to the financial statements on adoption of new and revised standards, contains an explanation on public sector combinations and amalgamations. However, the

information appears irrelevant since there is no explanation or linkage on how it will affect the college or its application in the financial statements represented for audit.

- ii. The summary of significant accounting policies contains a section with disclosure which have no relevance to the nature and operations of the college such as Note 4 a (ii) Rendering of services – students fees and which has nothing to do with stage of completion and measurement in reference to labour hours.
- iii. The college has not disclosed in an annex the ongoing projects as required by the reporting format prescribed by the public sector accounting standards board (PSASB). The statement of financial performance has been prepared on cash basis since the reflected amounts are the same as those in the statement of cash flows.

506. Consequently, the financial statements have not been prepared in accordance with section 81 of the Public Finance Management Act, Cap.412A, which requires accounting officers to prepare 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 Response**

507. Judgment -Depreciation of assets and Amortization of intangible assets is now appropriately applied Recoverability of student arrears.

- (i) The College now deletes any irrelevant issues.
- (ii) Rendering of services-A Student reports and invoiced at the time of reporting and at that time revenue is realized. Examination fees is a liability. Centre fees is revenue.
- (iii) There was no ongoing project during the year under audit. However. An annex will be provided for ongoing projects if any.

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

508. The Committee observed that the institution carries out budget revisions although out of the stipulated timelines.

#### ***Committee recommendation***

509. The Committee recommends that the Accounting officer must ensure that the institution complies with Section 81 of the Public Finance Management Act, Cap. 412A which requires management to ensure public funds are rightly controlled.

### 3.22.3 Revenue from Exchange Transactions

510. The statement of financial performance reflects rendering of services-fees from students amounting to kshs.2,646,775. However, fees payments summary reports generated from the college management information system used in recording of receipts reflect the total receipts amounting to kshs.3,040,220 resulting in an unexplained variance of kshs.393,445.
511. In addition, system reports indicated that four hundred and fifty-seven (457) receipts issued during the year ranged from No 0478 to 0916. However, one hundred and nine (109) receipts or 24% of the total receipts were not accounted for. Further the system had not captured the students' fees invoices and as such, the students' records could not provide details of fees arrears or prepayments if any.
512. In the circumstances, the accuracy and completeness of the rendering of services – fees from students' amount of kshs.2,646,775 for the year under review was not confirmed.

#### **Management Response**

513. The variance has been reconciled and financial statement updated.

#### **Reconciliation of rendering of service amount.**

<b>Details</b>	<b>Amount</b>
Receipts as per Management Information System	3,040,220
Less. Fee paid in advance Note 21	393,445
Balance as per Rendering of service	2,646,775

#### **Committee observation**

514. The Committee observed that the institution has a new ERP system, Optimum Computer System that can solve reconciliation issues and is useful in report generation.

#### **Committee recommendations**

515. The Committee recommends that the institution must at all times ensure compliance with Section 68(1) and Section 81(3) of the Public Finance Management Act, Cap. 412A and which requires accounting officers responsible for the management of public resources to ensure those resources are used in compliance with the law, and in a way that promotes transparency and efficiency.

516. The Committee further recommends that the management should further ensure compliance with the International Public Sector Accounting Standards, **IPSAS 1 and IPSAS 3** which provide guidelines on the presentation of financial statements and accounting policies for public sector entities.

**3.22.4 Unreconciled Total Expenditure**

517. The statement of financial performance for the year under review reflects total expenditure amounting to kshs.16,373,853. However, expenditure ledger reports extracted from the college management information system reflected total expenditure amounting to Kshs. 12,733,180 resulting in a variance of kshs.3,640,673 which was not explained or reconciled. Additionally, the system expenditure reports indicated payment descriptions which were different from the classification in the financial statements making it difficult to relate the system reports to the financial statements.

518. Further, analysis of the payments in the information system revealed that of the nine hundred and sixteen (916) payment vouchers recorded during the year under review, ranging from 001 to 916, had missing records involving 113 vouchers or 12% of the total number of vouchers which could not be accounted for no. explanation was provided for the number of vouchers not accounted for.

519. In the circumstances, the accuracy and completeness of the total expenditure amounting to kshs.16,373,853 incurred during the year under review could not be confirmed

**Management Response**

520. The variance of Kshs. 3,640,673 was attributable to the following, Trade Payables, Depreciation and amortization. In response to the payments to the information system that revealed missing records of 113 vouchers, the system was acquired towards mid of financial year, before that the vouchers were being generated manually

Details	Amount
Receipts as per Management Information System	12,733,180
Add; Depreciation amount	2,765,975

Add; 113 not entered into the system	874,698
Amount as per statement of financial performance	16,373,853

**Reconciliation of statement of performance amount.**

***Committee observation***

521. The matter is resolved as the reconciliation for the two amounts totaling to Kshs 3,640,673 which were generated manually was done. It is an expected challenge during the system changeover.

**3.22.5 Refundable Deposits from Customers (caution money)**

522. The statement of financial position reflects refundable deposits from customers (caution money) amounting to Kshs.58,900. However, the deposit register together with the schedule showing the details of those owed the amounts was not provided. In addition, the College had three hundred and twenty-one (321) students as at 30 June,2020, and if each student had paid Kshs.500, the account would reflect Kshs.160,500.

**Management Response**

523. The College has a policy on the fees structure of collecting fees and the balance of caution money had not been paid at the time of audit. The college provided a schedule of refundable deposits by year-end

***Committee observation***

524. The Committee observed that the institution was highly exposed in case of vandalism.

***Committee recommendation***

525. The Committee recommends that the College should consider changing its policy to charge caution money on admission.

**3.22.6 Property, Plant and Equipment**

526. The statement of financial position reflects property, plant and equipment valued at Kshs. 54,760,520. However, the amount is detailed in Note 18 to the financial statements and not in Note 19 as indicated. In addition, Note 18 containing an assets movement schedule has not been prepared according to the format prescribed by the Public Sector Accounting Standards Board (PSASB), and lacks appropriate classification of the assets, cost,

depreciation and net book values. Further, there was also no policy disclosed in the financial statements on asset depreciation showing the applicable depreciation method and rates for each class of asset.

527. Consequently, the accuracy of the property, plant and equipment book values amounting to Kshs.54,760,520 could not be confirmed.

**Management Response**

528. The property, plant and equipment amounts have been corrected and the statement of financial position revised as applied in the audit as per note 19 in the revised financial statements

***Committee observation***

529. The Committee observed that the financial statements were revised, however, this was out of the required audit timelines and not in compliance with IPSAS 3.

***Committee recommendation***

530. The committee recommended that the institution should ensure compliance with IPSAS 3 which provides guidance for public sector entities on selecting and applying accounting policies, and how to handle changes in accounting policies, estimates, and the correction of errors.

**3.22.7 Unreconciled Cash and Cash Equivalents**

531. The statement of financial position reflects cash and cash equivalents balance of Kshs, 8,574,028 as at 30 June,2020 comprising of Kshs.8,541,902 held in three bank accounts, and cash at hand of Kshs. 32,126 as disclosed in Note 15 to the financial statements. However, the bank reconciliation statements together with the certificates of bank balance were not provided for audit review. In addition, the cash book closing balance together with the cash at hand were not supported with a report of the Board of survey of cash balances.

532. Consequently, the accuracy and existence of the cash and cash equivalents balance of Kshs.8,574,028 could not be confirmed.

**Management response**

533. Currently, the Bank reconciliation, Board of survey and certificate of bank balance are now available are done promptly

### *Committee observation*

534. The Committee observed that the matter had been resolved as the reconciliation for the said period had been done although out of the audit timelines. In the ensuing periods, the reconciliations were provided for verification.

### **3.22.8 Unsupported Receivables**

535. The statement of financial position reflects receivables from exchange transactions amounting to Kshs.1,474,460 and receivables from non- exchange transactions amounting to Kshs. 2,160,000 all totaling Kshs. 3,634,460. However, no schedules were provided for audit review to support the two amounts. In addition, no provision was made to cater for amounts not likely to be collected from students in line with prudence principle.

536. Further, recognition of the undisbursed Government capitation grant amount of Kshs.2,160,000 is contrary to paragraph 31 of the international Public Sector Accounting Standards (IPSAS) 23 which states that an inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and the fair value of the asset can be measured reliably.

537. Consequently, the accuracy of the receivables balance of Kshs.3,634,460 could not be ascertained.

### **Management Response**

538. The amount of Kshs. 1,474,460 was attributable to the students' arrears. Receivables from non- exchange transactions are no longer reported as receivables. Corrected in the revised financial statements

### *Committee observation*

539. The Committee observed that the matter is resolved as the financial statements were revised although out of time. The schedules were provided and verified.

### **3.22.9 Unamortized Intangible Assets**

540. The statement of financial position also reflects intangible assets valued at Kshs. 625,000 in respect of acquired software. However, the management did not charge amortization expense

on the software as required in the accounting policy for intangible assets as indicated in paragraph four e of the notes financial statements outlining significant accounting policies. The policy outlines that the intangible assets are carried at cost less any- accumulated aromatization and impairment losses.

**Management response**

541. It is fully amortized and a new one was purchased. In the revised financial statements and is incorporated in the current practice.

**Committee observation**

542. The Committee observed that the matter had been resolved as the amortization had been done in the revised financial statements and the installation of a new system for amortization was ongoing.

**3.22.10 Unsupported Current Liabilities**

543. The statement of financial position reflects current liabilities totaling Kshs.1,974,111 as at 30 June 2020 comprising trade and other payables from exchange transactions, refundable deposits, and fee payments in advance as shown in Note 21 to the financial statements. However, there were no supporting schedules provided for audit review.

544. In the circumstances, the accuracy of current liabilities amounting to Kshs, 1,974,111 as at 30 June,2020 could not be confirmed.

**Management Response**

545. The schedules for trade payable, and refundable deposit have been provided and the financial statements have been revised.

**Committee observation**

546. The Committee observed that the matter has been resolved as schedules have been provided and confirmed.

**3.22.11 Unbalanced Statement of Financial Position**

547. The statement of financial position is not balanced as the net assets total is reflected as Kshs. 65,739,897 while reserves and capital fund amounts to Kshs.67,714,008 resulting to a difference of Kshs.1,974,111 which was not been reconciled.

548. Consequently, the statement of financial position is not correct.

### **Management Response**

549. The statement of net changes of asset has since been revised as required by the standard

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

550. The Committee observed matter is resolved as the financial statements were revised although out of time.

### **3.22.12 Inaccuracy of the statements of cash flows**

551. The statement of cash flows for the year ended 30 June,2020 is not properly prepared and does not provide the intended information. The statement is prepared using the indirect method and cash flows have not been reconciled to the relevant source records.

552. The statement also includes inaccurate amounts in respect of the increase in payables of Kshs. 1,521,948 instead of Kshs.1,974,111 shown in the statement of financial position and payment received in advance of Kshs. 2,562,569 which is not reflected in the statement of financial position.

553. The total for cash flows from investing activities is indicated as Kshs. 8,515,128 instead of Kshs. (2,515,081), which would have resulted into an increase in cash and cash equivalents of Kshs. 3,484,966 instead of Kshs. 8,574,028 shown.

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

### **Management Response**

555. We acknowledge the observations however the necessary changes have since been made in the statement of cash flow as attached.

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

556. The Committee observed that the matter was resolved as the financial statements Were revised although out of the audit timelines.

### **3.22.13 Lack of Approved Budget**

557. During the year under review, the Board of Governors and management of the College operated without a budget duly approved by the Cabinet Secretary contrary to the provisions of section 22(1)( 2) of the second Schedule of the Technical and Vocational Educational and Training Act , Cap.210A, which states that the Board of Governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in

such form and at such times as the Cabinet Secretary may prescribe and that the Board may incur expenditure for the purpose of the institution in accordance with estimates approved by the cabinet Secretary, and any approved expenditure under any head of the estimates may not exceeded without the prior written approval of the Cabinet Secretary.

558. Consequently, the Management breached the law.

**Management Response**

559. The institute acknowledges the observation and the subsequent budget has since been approved by the County Director TVET.

**Committee observation**

560. The Committee observed that the matter is resolved as the Institution provided the verified and approved budget by the county director of TVETs.

**3.22.14 Budgetary Control and Performance**

561. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.44,213,590 and Kshs. 19,607,926 respectively resulting in as shortfall of Kshs. 24,697,664 or 56% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 44,213,213 and Kshs. 16,373,853 respectively resulting in an under performance amounting to Kshs.27,839,736 or 63 %.

562. The underfunding and under- expenditure affected the planned activities and may have impacted negatively on service delivery to the students and stakeholders of Bunyala Technical and Vocational Training College.

**Management response**

563. The Budget under- performance was attributable to the Covid-19 pandemic which led to the closure of the institution in March 2020 for 11 months until February 2021.

**Committee observation**

564. The Committee observed that the Budget funding continues to be a challenge for the college as duly noted in the audit.

**Committee recommendation**

565. The Committee recommends that the Accounting Officer must ensure compliance with Regulation 43 (b) of the Public Finance Management (National Government) Regulations,

2015 which requires the accounting officer to ensure that expenditures align with the approved budget.

### **3.22.15 Compliance with the TVETA Quality Audit Requirements**

566. During the year under review, the College did implement the quality assurance manual developed by the Technical and Vocational Education Training Authority as detailed below-

- i. **Programme Accreditation-** The College had not applied or sought accreditation for the programmes that were being offered and there was also no evidence that all the trainers were accredited.
- ii. **Internal Quality Assurance-** Although the internal quality assurance committee was in place, there was no evidence that it was functional as the minutes of the meetings held, schedule of their activities and reports were not provided for audit review.

567. Consequently, the quality of programs delivered to trainees could not be ascertained

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

568. The Committee observed that the issue has been addressed, as the institution's accreditation was confirmed in 2021, and the appointment and establishment of the quality assurance committee has also been completed.

#### ***Committee recommendation***

569. The Committee recommends that the accounting officer must comply with Section 68 (1) (2)(3) of the Public Financial Management Act (PFM Act, Cap. 412A)

- i. Section 68(1), holds accounting officers accountable for lawful, efficient, and transparent use of resources.
- ii. Section 68(2) requires compliance with the Constitution, Public Finance Management Act, Cap. 412A and other legislation.
- iii. Section 68(3) specifies the duties of accounting officers, including expenditure control, financial management, risk management, and reporting.

### **3.22.16 Lack of Risk Management Policy**

570. During the year under review, the College operated without a risk management policy contrary to Regulations 165(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting Officer of a Government entity

should develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

571. The College, therefore, did not have a framework for the management of risk and may be unable to identify, assess, prevent and mitigate against the risks affecting its operations. In addition, the College has no disaster recovery and business continuity plan in the event of the occurrence a disaster.

572. Consequently, the Management is in breach of the law and may not be able to identify, assess, prevent, and mitigate against the risks affecting its operations.

#### **Management response**

573. The College has since developed a Risk management Policy approved by the Board and has also developed Risk policy and Risk management Register to identify, assess, prevent and mitigate risk affecting the operation.

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

574. The Committee observed that the matter is resolved as a verified copy of the board minutes held on 27<sup>th</sup> January 2023 approving the Risk management was provided.

#### **3.22.17 Failure to adhere to the Occupational Safety and Health Act**

575. Bunyala Technical and Vocational College has not mainstreamed the requirements of Section 9(1) of Kenya Occupational Safety and Health Act (OSHA), Cap.236A which requires that every occupier shall establish a safety and health committee at the workplace in accordance with regulations prescribed by the Minister if there are twenty or more persons employed at the workplace among others.

576. Further, section11(1) of the same Act requires the occupier of a workplace to undergo thorough safety and health audit of his workplace at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director. However, as at the time of audit in April,2021 there was no evidence that the College has undergone such audit. The College also did not have human resource policies and procedures manual and standing safety and health committee as required by the Act.

577. The Management is therefore in breach of the law

### **Management response**

578. The institute has since invited the Department of Public Health to audit the institute's working environment and the health condition of its premises.

### ***Committee observation***

579. The Committee observed that the institute was still non-compliant and this posed a disaster risk to the college.

### ***Committee recommendation***

580. The Committee recommends that institution must comply with Section 9 (1) And Section 11 (1) of Kenya Occupational Safety and Health Act (OSHA), Cap. 236A, and ensure that the health, safety, and welfare of all their employees are safeguarded while at work. This should be carried out within three months from the date of appearance

## **3.23 Audited statements for financial year 2020/2021- Qualified Opinion**

### **3.23.1 Inaccuracies in the financial statements**

581. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.23.2 Lack of Approved Budget**

582. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendations

### **3.23.3 Opening and Operating of Bank Accounts without Approval**

583. The statement of financial position reflects cash and cash equivalents balance of Kshs.615,326 as disclosed in Note 16 to the financial statements which relate to balances in three (3) bank accounts and cash on hand balance. However, the authority to open and operate the three (3) bank accounts was not provided for the audit. This is contrary to Section 28 (1) of the Public Finance Management Act, Cap. 412A which requires that the approval of The National Treasury should be obtained to open a bank account.

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

### **Management response**

585. The three bank accounts, which we are operating, were all opened in the year 2019 when the Board was appointed and inaugurated. Initially the County Director for TVET approved the

opening of the accounts on behalf of the Cabinet Secretary. We are in the process of seeking approval from the National Treasury to ratify the process as per the Public Finance Management Act, Cap. 412A.

***Committee observation***

586. The Committee observes that the institution's Bank accounts had not been approved by the time they appeared before the committee. The college had written a letter to the National Treasury regarding the same but had not received any response.

***Committee recommendation***

587. The Committee recommends that the Accounting Officer complies with Section 28 (1) of the Public Finance Management Act, Cap. 412A by ensuring that they obtain the approvals of the bank accounts from the National Treasury within three months of appearing before the committee.

**3.23.4 Unresolved Prior Year Audit Matters**

588. The previous year audit matters had been addressed by the committee

**3.23.5 Lack of Updated Assets Register**

589. The statement of financial position reflects property, plant and equipment balance of Kshs.60,305,426. However, Management did not provide an updated assets register which should contain cost of an asset, date of purchase, supplier, location, unique identification number, current value, accumulated depreciation and net book value. In addition, the asset register excludes an undetermined value of the college's agricultural Machinery like tractors, planters, harrows and harvesters.

590. In the circumstances, the assets register and completeness of the property, plant and equipment balance of Kshs.60,305,426 could not be confirmed.

**Management Response**

591. The updated asset register has since been provided

***Committee observation***

592. The Committee observed that the matter is resolved as an updated register was been provided and verified.

### **3.24 Audited statements for financial year 2021/2022- Qualified Opinion**

#### **3.24.1 Property, Plant and Equipment-Unsupported Additions to Buildings**

593. The statement of financial position reflects a balance of Kshs.61490,305 in respect of property plant and equipment which as disclosed under Note 22(a) to the financial statements, includes an amount of Kshs.2,973,622 representing additions during the year. Further, the amount of Kshs.2,973,622 includes Kshs.2,433,039 relating to the construction of a tractor shed and pit latrine. However, the Bills of Quantity, Completion and handing over certificates were not provided for audit review.

594. In the circumstances, the accuracy and completeness of the balance Kshs.2,973,622 are included in the property, plant and equipment balance of Kshs. 61,490,305 could not be confirmed.

#### **Management Response**

595. The management appreciates the observation and the asset additions schedule has been provided, Bills of Quantity and completion certificates for the tractor shade and pit latrine have been provided.

#### **Committee observation**

596. The Committee observed that the matter had been resolved as the bill of quantities, payment vouchers and completion certificates and schedules were provided and verified by the office of the Auditor General.

#### **3.24.2 Budgetary Control and Performance**

597. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

#### **3.24.3 Unresolved Prior Year Matters**

598. The previous year audit matters had been addressed by the committee

#### **3.24.4 Failure to Follow Public Procurement and Disposal Act, Cap.412C**

599. The statement of financial performance reflects a balance of Kshs.23,872,687 in respect of use of goods and service which, as disclosed under Note 11 to the financial statements. Included is an amount of Kshs.6,245,294, Kshs.2,505,260 and Kshs.950,850 relating to examination expenses, boarding expenses and stationery respectively. The respective amounts

include Kshs1,776,537, Kshs.861,543 and Kshs.837,420 that were not in the annual procurement plan and which were procured through direct procurement.

600. This was contrary to Section 91(1) and (2) of the Public Procurement and Assets Disposal Act, Cap. 412C which states that open tendering shall be the preferred procurement method for procurement of goods, works and services and the procuring entity may use an alternative procedure only if that procedure is allowed and satisfies the conditions under the Act.

**Management response**

601. The management appreciates the issues noted on the particular transactions. However, the management provides documentation to show that efforts were into to comply with the law as much as circumstances allowed. The minutes and procurement plan are also provided to support the legality and approval of the expenses. Current processes have been reviewed and officers appraised the need for compliance with the laws and regulations on legality and authorization before transactions are entered into.

**Committee observation**

602. The Committee observed that the matter had been resolved as the Procurement documents were provided and verified.

**3.24.5 Staff Ethnic Diversity**

603. Review of human resource records revealed that during the year under review, the college had a total of 63 employees. However, 50 employees or 70% of the total employees were from the same ethnic community. This is 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

**Management Response**

604. The Management is currently reviewing staff biodata, pay and pay grades. The aim is to come up with competitive remuneration and fitting job descriptions to attract staff from all over the Country and to ensure that the host community does not provide 100% of the staff. We have provided a list of all staff in the College and currently the composition is as follows

S/No	Tribe	No. of staff	Percentage
1	Luhya	50	79%

2	Luo	8	13%
3	Kisii	4	6%
4	Kalenjin	1	2%
	<b>Total</b>	<b>63</b>	<b>100%</b>

605. The management commits to comply with the Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N. As the College continues with its recruitment and growth, we will endeavor through merit to ensure that no ethnic community represents more than one third of the staff establishment.

***Committee observation***

606. The Committee observed that there was a slight improvement in reducing the percentage of local ethnicity within the current staff establishment; however, the figure remains excessively high.

***Committee recommendation***

607. The Committee recommends that the institution must make deliberate and concerted efforts to comply with Section 7(2) of the National Cohesion and Integration Act, Cap. 7N and ensure public institutions reflect the face of Kenya.

**3.25 SIRISIA TECHNICAL AND VOCATIONAL COLLEGE**

608. Mr. Herbert Musuya, The Principal, accompanied by;

- i. Mr. Musungu Oduor- Deputy Principal Administration
- ii. Ms. Annah Wanyama - Finance officer

Appeared before the Committee to adduce evidence on the audited accounts of Sirisia Technical and Vocational College, on 12<sup>th</sup> March 2024.

**3.26 Audited statements for financial year 2020/2021- Qualified Opinion**

**3.26.1 Unsupported cash and cash equivalents**

609. The statement of financial position reflects cash and cash equivalents balance of kshs.1,433,159 as disclosed in note 15 to the financial statements. The amount includes a cash-

in-hand balance of kshs.158,904. However, the Board of Survey Certificate to support the balance was not provided for audit review.

610. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs 1,433,159 could not be confirmed.

**Management response**

611. The Management acknowledges the audit findings. During the year under review, the management did not avail the Board of Cash Survey Certificate because, on 30<sup>th</sup> June 2021, there was a crucial exercise of handing over taking over of the new Principal in the Institution. We hereby attach the Board of Cash Survey Certificate.

**Committee observation**

612. The Committee observed that the matter was resolved as the board of cash survey was availed and verified by the Office of the Auditor General.

**3.26.2 Lack of Ownership Documents**

613. The statement of financial position reflects a balance of Kshs 81,619,518 under Property, Plant and Equipment as disclosed in note 19 to the Financial Statements. Included in the amount is a balance of Kshs 5,600,000 relating to the value of the college's land whose ownership documents were not provided for audit. Further Management did not maintain an asset register to account for its various classes of assets.

614. In the circumstances, the accuracy and completeness of the Property, Plant and Equipment balance of ksh.81,619,518 could not be confirmed.

**Management Response**

615. The Management acknowledges the findings of the audit team. It is true that the college does not have the ownership documents relating to Land. The Management wishes to clarify that the Land in Question, was Allotted by the Town Council of Sirisia Vide Min SUC/MWTPDSS/13/97(4) of 12/08/1997, and approved, Part Parcel L.R.S. Malakisi/N Kulisiru/32. The exercise of Land Titling began and the process is Underway.

616. The College did not provide an Asset register that was of good Standard due to inadequate staff but later on a good and standardized asset register was prepared to account for its various classes of Assets.

***Committee observation***

617. The Committee observed that the title deed for the land has not yet been secured and management was taking too long to obtain it. This poses a risk to the college as without formal ownership documentation, the institution is exposed to encroachments or even the loss of its property.

***Committee recommendation***

618. The Committee recommends that the Management should comply with Regulation 143 (1) of the Public Finance Management (National Government) Regulations, 2015 which states, “The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession,” by ensuring that the college land is secured with obtaining of the title within six months after appearing before the committee.

**3.26.3 Budgetary control and performance**

619. The statement of comparison of budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs 12,670,000 and Kshs 10,752,365 respectively resulting to an underfunding of kshs.1,917,635 or 15% of the budget. Similarly, the college expended Kshs 6,303,905 against an approved budget of Kshs 12,670,000 resulting to an under-expenditure of Kshs 6,366,095 or 50% of the budget.

**Management response**

The underfunding of the Budget is as a result of low collection of students’ fees, a reduction in Capitation Disbursements by the Ministry of Education and also as a result of Covid 19 Pandemic that led to the closure of the Institute for some time.

***Committee observation***

620. The Committee observed that the Budget funding continues to be a challenge for the college.

***Committee recommendation***

621. The Committee recommends that Accounting Officer ensures compliance with Regulation 43 (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the accounting officer to ensure that expenditures align with the approved budget.

**3.26.4 Lack of information technology (IT) and service continuity Plan**

622. During the year management had not put in place an information technology (IT) policy, a disaster recovery, a service continuity plan and an off-site backup storage facility.

623. In the circumstances, management lacks a blueprint for identifying, preventing and mitigating against disaster to ensure operations are uninterrupted in case of disaster

**Management Response**

624. The Management is in the process of developing and implementing an Information Technology (IT) Policy, Continuity Plan and an Offsite back up storage Facility.

**Committee observation**

625. The Committee observed that the management had taken too long to develop the information technology (IT) and service continuity Plan.

**Committee recommendation**

626. The Committee recommends that management should develop and implement the Information Technology (IT) and service continuity Plan within six months after appearing before the committee.

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

627. The college has not established an Internal Audit function and an Audit Committee. This is contrary to Section 73 of the Public Finance Management Act, Cap. 412A which provides for the establishment of the Internal Audit Function and an Audit Committee of the College. As such the College did not benefit from the Assurance and Advisory Services from the Internal Audit Function as well as Oversight from the Audit Committee.

**Management Response**

628. The Management has outsourced the services of the Internal Auditor from the Sister Institution, Sang'alo Institute of Science and Technology, The Management has benefited from the services rendered by the internal Auditor, where audit findings were presented to the Board of Governance by the Audit and Risk Management Committee.

**Committee observation**

629. The Committee observed that the matter is resolved as the institution sourced Internal audit function services from the sister institution.

**Committee recommendation**

630. The Committee recommends that the institution should give priority to the establishment of an Internal Audit function and the formation of an Audit Committee as soon as financial

resources permit. This will ensure the adequacy and effectiveness of internal controls and risk management.

### 3.27 SIGALAGALA NATIONAL POLYTECHNIC

631. Mr. Evans Bosire, The Principal, accompanied by;

- i) Ms. Ann Mutsami – Deputy Principal Administration
- ii) Ms. Jackline Kibanda- Finance Officer
- iii) Mr. Christopher Osilo -Finance Manager

Appeared before the Committee to adduce evidence on the audited accounts of Sigalagala National Polytechnic, on 13<sup>th</sup> March 2024.

### 3.28 Audited Financial statements for financial year 2018/2019 (Qualified Opinion)

#### 3.28.1 Un-Supported Balances

632. The statement of financial position reflects cash and cash equivalents balance totalling Ksh.91,052,079 as at 30 June 2019 comprised of bank and cash at hand balances totalling Kshs.90,784,042 and Kshs.268,037 respectively, as further disclosed in note 20 to the financial statements. However, the bank reconciliation statement for the two bank accounts with balances totalling Kshs. 29,888,668 as at 30 June, 2019 were not provided for audit review. As a result, the accuracy and completeness of the cash and cash equivalent balance totalling Kshs. 91,052,079 as at 30 June, 2019 could not be confirmed.

#### **Management response**

633. During the audit for the financial year 2018/2019, all the bank reconciliation statements for all the banks operated by the Sigalagala National Polytechnic was provided for audit as required.

634. The statements were later returned by the auditor and the assumption was that the auditor had obtained all the information he required on those statements but unfortunately the auditor did not see the particular bank reconciliation mentioned for bank which had cash book balance and bank certificate as below;

	<b>Bank Name</b>	<b>A/c No.</b>	<b>Cash book balance</b>	<b>Bank certificate balance</b>

1	Barclays bank	0098256911	20,305,948	20,305,047.95
2	Equity bank	0500277394606	9,583,620	10,589,653.00

**Committee observation**

635. The Committee observed that the matter has been resolved as the office of the Auditor General verified the bank reconciliation of two bank accounts, the extract of cash books and the certificate of bank balance

**3.28.2 Variance Between Financial Statements and Cashbook Balances**

636. Bank balances in respect of two bank accounts totalling Kshs.5,833,243 were at variance with the reconciled cashbook balance as shown below;

<i>Bank Account No</i>	<i>Amount as per FS (Kshs).</i>	<i>Amount as per Reconciliation (Kshs).</i>	<i>Variance (Kshs)</i>
1234829519	79,758	174,660	(94,902)
01139098473702	5,753,485	5,555,202	198,283

637. Further, the bank statement for account No 1149686693 as at 30 June,2019, reflected a balance of Kshs.734,068 as at 30 June, 2019 but the respective cash book and bank reconciliation statement were not provided for audit review. As a result, the accuracy and completeness of the balance could not be confirmed.

**Management response**

638. At the time of the audit, the bank had not availed the final statement for the month. However, correction on reconciliation has been done as per the documents presented to the committee.

639. The KCB account mentioned above was a liquidation account opened by the bank to keep the loan installment the polytechnic was making termly and the bank was amortizing this loan monthly from the termly deposits made by the polytechnic.

640. The polytechnic was making termly installment for the period the loan was active from Barclays account as indicated below;

641. From the monthly report as at 30 June 2019 not entire amount of termly instalment was amortized in the Liquidation account while the polytechnic had accounted for the entire amount as termly payment.

***Committee observation***

642. The Committee observed that the matter has been resolved as a copy extract of the reconciliation for the two accounts and cash book, a copy of the extract of bank statements and certificate for the said account, a copy of the extract of the financial statements, a copy of loan clearance certificate from KCB bank, copy of loan amortization schedule from KCB and a copy of installment records made as at 30<sup>th</sup> June 2019 were provided to the OAG and verified.

**3.28.3 Outstanding Reconciling Items**

643. Audit review of the bank reconciliation statement for Mentor Institutions bank accounts for the month of June ,2019 reflected an uncredited deposit of Kshs.4,554,534 which had remained outstanding since July, 2018. The nature of the balance and reasons for its non-clearance was not explained. Further, the bank reconciliation statement for the college fund account for the month of June, 2019 reflected a balance of Kshs.32,511,725 whereas the bank confirmation certificate reflected a balance of Kshs.34,319,054 as at 30 June, 2019 resulting to unexplained variance of Kshs.1,807,329 between the two records.

644. In view of this small anomaly , it was not possible to confirm the accuracy and completeness of the cash and cash equivalents balance totalling Kshs.91,052,079 as at 30 June 2019.

**Management response**

645. National Bank- Mentor Institutions A/C No 01037017738900. The un-credited figure of Kshs. 4,554,534 was for intended inter account transfer from college fund account to mentorship account at National Bank account which was later reversed.

**ii) Barclays Bank 009-8043551-College Fund account**

646. The difference was a bank error and the right confirmed bank balance was Kshs. 32,511,725 and not Kshs.34,319,054 as indicated above. The figure of Kshs.34,319,054 had credit transfers done on 1/7/2019 of Kshs.1,807,329. The polytechnic wrote to the bank on this error and correction was done appropriately

***Committee observation***

647. The Committee observed that the matter has been resolved as verified copies of bank statements, bank reconciliation statements, and cash book extracts confirming that the amounts were inter-bank transfers

648. The Committee observed that the Auditor further confirmed the certificate of bank balance of Barclays Bank which had a discrepancy.

#### **3.28.4 Trade and Other Payables from Exchange Transactions**

649. The trade and other payables from non-exchange transactions balance totalling Kshs.81,276,248 reflected in the Statement of Financial Position as at 30 June, 2019 includes trade payables totalling Kshs.40,823,211, as further disclosed in note 27 to the financial statements. However, the supporting schedule provided for audit reflected balances totalling Kshs.48,818,255 resulting to an unexplained variance of Kshs.7,995,044.

650. Further, the trade payables balance totalling Kshs.40,823,211 included payables totalling Kshs.26,328,274 relating to 2017/2018 and earlier years. No explanation was provided for their non-clearance and consequently, it was not possible to confirm whether the trade payables balance totalling Kshs.81,276,248 as at 30 June,2019 was fairly stated.

#### **Management Response**

651. Due to a change in management, there was a further review of all trade payables to confirm the eligibility of the pending bills, where a committee was appointed to review all the pending bills to prove their eligibility.

652. During the time of the audit, the polytechnic was migrating from MIS system to the current ERP (Abno Software) where the system value of payables was reading Kshs.48,818,255 as opposed to the right value of payables amounting to Kshs.40,823,211.

653. The error was noted and corrected to reflect the true value of payables as Kshs.40,823,211. All the pending payables have been paid

#### **Committee observation**

654. The Committee observed that the issue has been resolved as the auditor has verified the correct supporting schedules for trade payables of Kshs. 40,823,211, and a verified aging analysis confirming that the payables were no longer overdue was also provided.

### **3.28.5 Borrowings**

655. The statement of financial position reflects long term loans totalling Kshs.6,167,201 as at 30 June, 2019, as disclosed in Note 30 to the financial statements. Although the note indicates that loan repayments made during the year under the review totalled Kshs.4,007,860, the schedule provided for audit reflected repayments totalling Kshs.3,647,546 resulting to unexplained variance of Kshs.360,314.

656. Consequently, the accuracy of the long-term borrowings balance totalling Kshs.6,167,201 as at 30 June, 2019 could not be confirmed.

#### **Management Response**

657. The Polytechnic had three loans they were servicing; One at KCB and two at Absa (formally Barclays) and all of them were asset financing loan facility for the purchase of vehicles.

658. During the audit period, loan schedules and loan agreements were produced for verification and issues mentioned above did not arise.

659. The loan the polytechnic was paying was for asset financing where the polytechnic acquired a 67-seater bus from KCB and a van and a Pickup from Absa bank

#### **Committee observation**

660. The Committee observed that the issue has been resolved as the Auditor General verified the loan schedule amounting to Kshs. 4,007,860. This verification included reviewing the loan statements from the Absa bank account, the KCB bank account, and the loan clearance certificates from both Absa and KCB banks. It was confirmed that the correct amount, as reflected in the certified financial statements, is Kshs. 4,007,860.

### **3.28.6 Budget Performance Analysis (Budget control and performance)**

661. Budget records indicated that the polytechnic had revenue budget of Ksh.373,290,000 in the year under review, but realized Kshs.306,686,327 resulting in under collection of Kshs.66,603,673 or 18% of the budget. The records further indicated that the expenditure for the year totalled Kshs.250,711,965 against the budget of Kshs.373,290,000 resulting to under expenditure of Kshs.22,538,035 or approximately 33% of the budget. Failure to collect revenue as planned resulted in under expenditure which in turn constrained implementation of programmes and activity planned for the year.

#### **Management Response**

662. We budgeted for revenue Ksh.373,290,000 but realized Kshs.306,686,327. The difference was as a result of our projected enrolment of 8,863 students. However, we realized 6,922 students only.

663. During the year under review, we budgeted to receive from the National Treasury, an operation grant of Kshs. 50,250,000 but realized Kshs. 49,815,000 only as indicated on the budget analysis on the financial statement.

664. We budgeted for expenditure of Kshs.373,290,000 against Kshs.250,711,965. This was due to the low turnout of students which contributed to low income hence low expenditure and also controlled expenditure to match with the cash available

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

665. The Committee observed that the verified extracts data of students' enrollment, statistical data of enrollment of students and a copy of the approved budget were provided to the OAG.

666. The Committee further observed that the institution did not, however, provide a copy of a bank statement showing that they had received money from the National Treasury toward the end of the financial year which was also not 100% as per the approved budget.

#### ***Committee recommendation***

667. The Committee recommends that the Accounting Officer must at all times ensure compliance with Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 by ensuring that public funds entrusted to their care are properly safeguarded and utilized.

668. The Committee further recommends that the institution should further put in place strategies to ensure that budgetary provisions are adhered to.

#### **3.28.7 Lack of Risk Management Policy**

669. During the year under review, the polytechnic operated without a risk management policy. As a result, management lacked objective means to identify, measure and mitigate operational and other risks that could disrupt the operations of the polytechnic.

670. In addition, Management had not set up an information Technology Steering committee, strategic and data recovery plans and business continuity plans contrary to regulation 102 and 160 of the Public Finance Management (National Government) Regulations, 2015. As a

result, the risk of loss of electronic data and disruption of operation on the occurrence of unfavourable events was high.

### **Management Response**

671. At the time of the audit, we had a zero-draft Risk Management Policy. However, we now have an approved and working policy

672. At the time of audit, we had not set up an information Technology Steering committee. However, we now have one in place.

673. The Sigalagala National Polytechnic Risk Management Policy has been developed and is fully implemented.

### **Committee observation**

674. The Committee observed that the matter is resolved, as the institution provided copies of the Risk Management policy, copies of the appointment letters for the Information Technology Steering Committee members, and a copy of the minutes of the meetings held by the said committee.

### **3.28.8 Weak Internal Audit Department**

675. Review of the Internal Audit function indicated that it had one internal Auditor. However, no Charter there was no charter defining the scope, responsibilities and purpose of the internal Audit Unit and no annual work plan to guide its operations. Therefore, the function was not properly established as required by Regulation 160 and 161 of the Public Finance Management (National Government) Regulations, 2015. Consequently, the unit lacked sufficient authority to execute its mandate.

### **Management Response**

676. During the year 2018/2019, the office of the internal auditor had not been instituted by the Council of the Sigalagala National Polytechnic.

677. The Polytechnic established the office of the internal auditor and employed its first staff on 1<sup>st</sup> August 2019.

678. The audit was conducted in February 2020 for the year 2018/2019 when the new Internal Auditor was still setting up the functions of the office. However, due to covid 19, the polytechnic was closed up to June 2020 when activities resumed

679. The Internal Auditor was fully in the office and executed her duties well in the year 2020/2021.

***Committee observation***

680. The Committee observed that the matter is resolved as a verified copy of the Audit Charter and a copy of the annual work plans for the year 2021/2022 was provided to the OAG.

**3.29 Audited financial statement for financial year 2019/2020 (Qualified Opinion)**

**3.29.1 Inaccuracies in cash and cash equivalents**

681. The statement of financial position reflects cash and cash equivalents balance of Kshs.247,873,131 as at 30 June, 2020 comprising bank balance of Kshs.247,869,321 held on ten (10) bank accounts and cash in hand balance of Kshs.3,810 as disclosed in Note 20 to the financial statements. An audit review of the bank reconciliation statements for the month of June, 2020 revealed the following unsatisfactory matters;

**i. College Fund Account**

682. The cash and cash equivalents balance under Note 20 to the financial statements includes Kshs.27,035,476 in respect of college fund account, whose bank reconciliation statement reflects returned cheques amounting to Kshs.1,310,318 with some dating back to September, 2019. In addition, the reconciliation statement reflects unrepresented cheques totaling Kshs.11,254,645 which includes a cheque of Kshs.876,000 dated 9 November, 2019 and therefore stale. No reason was provided for not reversing these cheques in the cashbook. Further, the bank reconciliation statement reflects payments totaling Kshs.396,863 that were made in January 2020 but had not been recorded in the cashbook as at 30 June, 2020.

**Management Response**

683. The cheques amounting to Kshs.1,310,318 were received as fees but due to various reasons they did not go through, the student's ledgers were adjusted for the same until replacement was done. but the cheques were not written back in the cash book.

684. After advice from the auditors, all the unpaid cheques have been written back in the cash book to correct the double entry.

685. The stale cheque amounting to Kshs.876,000 that was written in favor of KUCCPS in November 2019 was stale and written back in the cash book in the month of July 2020, the delay was due to the fact the institution disputed the bill and the cheque was not banked.
686. The amount Kshs.396,863 was an erroneous direct deduction from Absa Bank towards insurance of the vehicles that were co-owned by the bank. However, out of Kshs.396,863 deducted Kshs. 353,781.50 was refunded and the difference is being pursued.

***Committee observation***

687. The Committee observed that the matter has been resolved as verified copies of the following documents were provided: the list of returned cheques as of 30 June 2020 amounting to Kshs. 1,310,318, an extract from the cash book showing the reversal in July 2020, and a verified cash book extract showing how cheques amounting to Kshs. 876,000 were written back in July 2020.
688. Additionally, a verified bank statement indicating a refund of Kshs. 353,781.50 was provided. The OAG also verified communications between the Polytechnic and the Bank in pursuing the difference.

**ii. Development Account**

689. Included in the cash and cash equivalents balance is Kshs.20,824,313 relating to GOK development account. An audit review of the bank reconciliation statement for the month of June 2020 revealed uncredited receipts totaling to Kshs.379,100 all of which related to the month of October, 2019 and had not been recorded in the cashbook as at 30 June, 2020. No reason was provided for not recording them in the cashbook.

**Management Response**

690. The amount of Kshs. 379,100 was not uncredited receipts but rather internal banking of cheques the polytechnic had received from students as fees under college fund account but banked in development account. The amount above was inter account transfer from the polytechnic ledger accounts

***Committee observation***

691. The Committee observed that the matter is resolved as the following documents were provided: verified Cashbook extract from college fund account showing inter-account

transfer, verified Cashbook extract from GOK development account showing inter-account transfer and a verified copy of GOK bank statement for October 2019 showing the deposit.

**iii. Fees Collection Account**

692. Reflected under Note 20 to the financial statements is Kshs.117,494,631 in respect of a fees collection account. The bank account's reconciliation statement for the month of June, 2020 reflected un-receipted credits totaling to Kshs.1,671,096 out of which Kshs.85,100 related to 31 December, 2019. No reason was provided for not recording them in the cashbook.

693. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.247,873,131 as at 30 June, 2020 could not be confirmed.

**Management Response**

694. The Polytechnic bank accounts are majorly used for fees collection and any student or potential student can deposit fees in these accounts in readiness for joining or continuing students deposit fees so that they can use these fees after return from industry attachment.

695. During the year 2019/2020, most students who were on attachment did not report back to college due to Covid 19 pandemic hence these fees paid by parents and sponsors remained in our bank accounts un-receipted till the time they reported back to college. (February- march 2021 when learning resumed after Covid 19 break). The students were well receipted the moment they reported back.

696. The polytechnic has also adopted inter-bank link system (Bank Integration System) where all the polytechnic banks are linked to the ERP and once any student pays at the bank it automatically receipts them and they find receipt in their portal. This has eliminated cases where unknown deposits would be seen at the bank.

**Committee observation**

697. The Committee observed that the matter had been resolved as the following had been provided to the OAG: A Verified list of all the students whose payments were delayed and a sample of receipts, a copy of the Bank statement showing the delayed deposits and evidence of banks integration system used at the polytechnic.

**3.29.2 Unsupported Receivables from Exchange Transactions**

698. Disclosed under Note 21 to the financial statements, the statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions balance of Kshs.86,271,809 which includes student debtors of Kshs.84,646,556 whose analysis was not provided.

699. Consequently, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.86,271,809 as at 30 June, 2020 could not be confirmed.

### **Management Response**

700. The polytechnic always performs debtor's analysis to show the movement of the same each month. During the audit, the schedules analysis for student debtors was provided for verification.

701. During the year under audit analysis was done manually but as of now the polytechnic performs analysis using the ERP

702. Analysis of student debtors as at 30 June 2020 was attached as an annexure to the submissions made to the committee.

### **Committee observation**

703. The Committee observed that the matter is resolved as a verified analysis of the student debtors as at 30 June 2020 was generated from the ERP system.

### **3.29.3 Budgetary Control and Performance**

704. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

### **3.29.4 Irregularities in the Award of Tender for Supply of Fuel and Lubricants**

705. The statement of financial performance and as disclosed in Note 12 to the financial statements reflects the use of goods and services balance of Kshs.91,416,903. Included in this amount is local travel and transportation amount of Kshs.7,976,421 out of which Kshs.3,451,927 was paid to a local firm for the supply and delivery of fuel and lubricants.

706. However, a review of tender evaluation reports for the supply and delivery of fuel and lubricants revealed, the lowest recommended supplier was a different firm and no reason or documentation was provided to support the change of award.

707. This is contrary to Section 86 (1) (a) of the Public Procurement and Disposal Act, Cap. 412C which requires that the successful tenderer shall be the one with the lowest evaluated bid. In the circumstances, the Management breached law.

### **Management Response**

708. The procurement proceedings were conducted in accordance to PPADA provisions on the award for the tender. The bidders for the tender SNP/T/2019-20221/01 was invited on 17<sup>th</sup> May 2019, through open tender. Only two bidders responded that's M/s Total Kenya Kisumu and M/S Auto-park & General limited (vivo energy Kenya). Both bidders were subjected to the evaluation criteria and both bidders were responsive as ranked below:

- i. 1<sup>st</sup> most responsive M/s Total Kenya Kisumu with 90%
- ii. 2<sup>nd</sup> responsive M/s Auto-park & general limited (vivo energy Kenya) with 87%

709. M/s Total Kenya Kisumu was recommended by the evaluation committee for award, the head of procurement was in concurrence with evaluation committee and the principal approved the recommendations. The award letter was delivered to the lowest responsive bidder M/s Total Kenya Kisumu requiring the supplier to accept the award letter & respond back with an acceptance letter within 14 days thereafter the contract would be signed.

710. The bidder failed to transmit the acceptance even after making written follow-ups. This prompted the Head of Procurement to recommend to the principal for the 2<sup>nd</sup> lowest most responsive bidder for the award through the evaluation committee.

711. The award acceptance letter was submitted to the second lowest bidder and letter informing the first bidder on forfeiture of the tender due to failure to submit the acceptance letter.

### **Committee observation**

712. The Committee observed that the matter is resolved as the following were provided and verified by the OAG

- i. The first evaluation committee Minutes,
- ii. The 1<sup>st</sup> Professional Opinion,
- iii. An award letter sent to Total Kenya – Kisumu,
- iv. A debrief to 2<sup>nd</sup> bidder.
- v. A letter from procurement officer to the principal regarding the non-response from Total Kenya Kisumu.

- vi. Minutes two of the evaluation committee recommending the second lowest responsive bidder.
- vii. 2<sup>nd</sup> Professional opinion.
- viii. A debrief to the Total Kenya Kisumu.
- ix. An award letter sent to Auto Park & General Limited (Vivo Energy Kenya)

### **3.29.5 Irregular Award of Tender to Supply and Delivery of Foodstuffs**

713. The statement of financial performance and as disclosed in Note 16 to the financial statements reflects general expenses amount of Kshs.89,914,520. Included in this amount is Kshs.656,027 paid to a local firm for the supply and delivery of foodstuffs vide tender number SNP/T/2019-2021/18 and payment made vide payment voucher number M0778. A review of the related tender evaluation reports provided revealed the local supplier that was awarded the tender had been disqualified for being non-responsive based on the set criteria.

714. However, no reason or documentation was provided for awarding the tender to a firm that was not responsive contrary to Section 86(1)(b) of the Public Procurement and Asset Disposal Act ,Cap.412C which requires that the successful tender shall be the responsive proposal/bid with the highest score determined by the procuring entity for each proposal, in accordance with the procedures and criteria set out in the request for proposals.

715. Consequently, the Management breached law.

#### **Management Response**

716. The Management agrees with the finding of the Auditor that during the first pre-qualification evaluation process done on 26<sup>th</sup> June, 2019 Ms. Felveecks Enterprises was non-responsive and was disqualified. However, on 3<sup>rd</sup> of July 2019, M/s Felveecks Enterprises submitted AGPO certificate, business permit and other credentials for consideration for prequalification after being given a regret letter.

717. The head of procurement updated the list and included the bidder as per PPADA provisions on continuous updating of registered persons and persons with AGPO certificates. Thus, having M/S Felveecks Enterprises being in the list of prequalified persons.

#### **Committee observation**

718. The Committee observed that the matter is resolved as a verified copy of the AGPO certificate from M/S Felveecks and a copy of the Business permit was provided to the OAG.

### **3.29.6 Irregular Award of Tender for Supply and Delivery of Groceries and Cleaning Detergents**

719. Included in the general expenses figure of Kshs.89,914,520 reflected in the statement of financial performance, are payments totaling to Kshs.1,044,580 that were made to two suppliers of Kshs.830,780 and Kshs.213,800 vide voucher numbers M0621, CF23415 and CF22250 respectively. The suppliers were awarded tenders for supply and delivery of groceries and cleaning detergents.

720. Although the suppliers were in the list of registered suppliers, there was no evidence that the two firms submitted their tender documents for evaluation for the said tenders contrary to Section 86(1)(b) of the Public Procurement and Asset Disposal Act, Cap. 412C, which requires that the successful tender shall be the responsive proposal/bid with the highest score determined by the procuring entity for each proposal, in accordance with the procedures and criteria set out in the request for proposals.

721. Consequently, the management breached the law.

#### **Management Response**

722. The institution invited bids for quotation tenders. The mentioned bidders submitted their bids as per tender documents. Their bids were opened with other bids vide Tender opening records.

723. All the submitted bids were subjected to evaluation which led to the award of the tenders to the mentioned bidders (MS Wecholet Investment Limited and M/S Felveecks Enterprises).

#### **Committee observation**

724. The Committee observed that the issue is resolved as a verified copy of the Tender opening register – extract and a copy of the opening minutes as well as a copy of the bid documents for the two bidders were provided to the OAG.

725. The committee further notes that there seems to be a disconnect between the internal audit function and management.

### **3.29.7 Delay in the Implementation of Enterprise Resource Planning (ERP) System**

726. Information made available for audit, revealed, a contract for the upgrade, testing, training and configuration of the Management Information Systems to an Enterprise Resource Planning (ERP) was awarded to a system developer on 14 June, 2018 at a contract sum of Kshs.11,774,000. The contract was to remain valid for one and half years after the commencement date. The system was to contain seven modules to be used by all departments in the college for both financial and academic programs. As at 30 June, 2020 Kshs.6,000,000 had been paid to the contractor.

727. However, as at the time of audit in January, 2021, fifty-two (52) weeks after the expiry of the contract period, the ERP had not been fully implemented as some procurement functions such as evaluation of tenders and issuing of stocks from the stores were being done manually and not through the system. In addition, four modules, which include, finance module, Human resource and payroll module, student academic and examination module and staff and student portal module were not complete and no reason or explanation was provided for the delay in completion.

728. Consequently, the institution may not have got value for money in respect of Kshs.6,000,000 so far invested in the system.

#### **Management Response**

729. In the ERP contract between Abno Software International and the Sigalagala National Polytechnic was clause no. 3(ii) which provided that after the expiry of the contract, a further one-year free warranty will be allowed up to 30 June 2021.

730. At the time of Audit, the system was not working fully since training was still ongoing however as at now, the ERP has been fully handed over and functioning fully as per the description with annual subscription and maintenance fees of 12% pa.

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

731. The matter is resolved as a verified copy of Contract for the ERP was provided. Further, a site visit by the OAG revealed that the management is currently using ABNO modules and users are well conversant with their respective platforms.

In addition, copies of handing over certificate, project completion report and user log-ins confirming that the four modules are now in use were provided.

### **3.29.8 Lack of Risk Management Policy**

732. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

### **3.30 Audited financial statements for financial year 2020/2021 (Qualified Opinion)**

#### **3.30.1 In-accuracies of Cash and Cash Equivalents**

733. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

#### **3.30.2 Budgetary Control and Performance**

734. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

#### **3.30.3 Long outstanding Trade Payables**

735. The statement of financial position reflects a balance of Kshs. 31,622,242 under trade payables from exchange transaction which includes, as shown in note 34, a balance of Kshs. 3,092,684 relating to trade payables. However, the balance of Kshs. 3,092,684 Includes a balance of Kshs. 1,477,149 relating to five suppliers who have not been settled since 2017. No explanations given for failure to settle debts as and when they fall due

736. Failure to settle creditors as and when debts fall due adversely affect the credit worthiness of the polytechnic.

### **Management Response**

737. The creditors had issues with the polytechnic as some of their supplies did not meet the required standards and they were requested to replace but there was a disagreement over the same with the said suppliers.

738. A joint meeting between the polytechnic select team and the suppliers was held as per attached minutes and agreement was reached that they replace the supplies that had issues so that they are fully paid.

739. We want to confirm that they have complied to the condition agreed in the meeting and all have been duly paid.

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

740. The matter is resolved as verified copies of minutes of discussion with the suppliers whose payments were long overdue and payment vouchers for the suppliers indicating balance fully paid were provided.

#### **3.30.4 Lack of staff Ethnic Diversity**

741. Analysis of the payroll and staff list provided for audit indicates that the institution had 238 employees (both teaching and non-teaching). However, out of the 238 employees, 182 (or about 76%) were from one ethnic community. This is contrary to the provision of 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 same ethnic community.

742. In the circumstance, the management was in breach of the law

#### **Management Response**

743. The ethnic representation for workers at Sigalagala national polytechnic is historical and the figure of 182 comprises various Luhya sub ethnic groups, the majority of whom were recruited when Sigalagala Polytechnic was still a technical and vocational training institute, drawing its workforce from the local ethnic Luhya sub-tribes.

744. However, after elevation to a National Polytechnic about 8 years ago vide legal notice No.90 of 30<sup>th</sup> May 2016, the situation has changed and advertisements for employment are usually placed in daily newspapers with a national circulation and the website based on our

HR policy manual section 2.6 and in accordance with article 27 of the constitution 2010 SNP promotes equality in employment and all communities in Kenya in their diversity are granted equal opportunity in employment without discrimination on basis of race, sex, ethnic or social origin etc.

745. Senior positions from job group “N” reveals that skilled jobs at this level attract people from different ethnic groups and one can discern diversity. We have 2 luhyas, 1 luo and 1 Kalenjin.

746. Management will continue to implement Article 232(1)(h) of the Constitution of Kenya, section 7(2) of the National Cohesion and Integration Act, Cap. 7N as well as our HR policy manual to ensure equal opportunity in employment.

747. We take this opportunity to thank your committee for your continued support which has improved operating systems and controls, making it possible for the education sector to offer a transformative, progressive, sustainable and equitable development to the citizens.

***Committee observation***

748. The Committee observed that the current data of Current staff ethnic composition indicates an improvement to 47.1 percent, but the institution is yet to achieve the threshold required

***Committee recommendation***

749. 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 and ensure public institutions reflect the face of Kenya.

**3.31 ST. PAUL’S KIBABII DIPLOMA TEACHERS’ TRAINING COLLEGE**

Mr. Saul Barasa, The Principal, accompanied by;

- i. Mr. David Muchele- Deputy Finance Officer
- ii. Mr. John Barasa- Procurement Officer
- iii. CPA. Mercy Basakhila – Human Resource

Appeared before the Committee to adduce evidence on the audited accounts of St. Paul’s Kibabii Diploma Teachers Training College, on 13<sup>th</sup> March 2024.

### **3.32 Audited statements for financial year 2020/2021- Qualified Opinion**

#### **3.32.1 Failure to maintain an asset Register**

750. The statement of financial position reflects property, plant and equipment net book balance of Kshs. 1,054,407,271 as disclosed in Note 16 to the financial statements. Review of records revealed that the college did not maintain an asset register which gives details relating to the nature, dates of acquisition, cost, unique identification number, current value, current location/user, accumulated depreciation and net book values of the assets

#### **Management Response**

751. At the time of audit, the college had been using S2 store ledgers to record all its assets. This was corrected in the financial year 2021-2022 whereby the college prepared an asset register per the National Treasury Template and recorded all its assets.

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

752. The Committee noted that the asset register was incomplete because some assets had not been professionally valued

#### ***Committee recommendation***

753. The Committee recommends that the institution updates and makes the register available to the Office of the Auditor General within 2 weeks.

754. The Committee further recommends that the Accounting Officer must at all times adhere to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

#### **3.32.2 Unsupported Reserves**

755. The statement of financial position reflects reserves balance of Kshs. 1,100,065,901. This being the first financial statements of the college, the nature of the reserves was not explained or supported with documentary evidence.

#### **Management response**

756. The capital reserves of **Kshs.1,100,065,901** recorded under note 16 in the financial position related to the Property, Plant and Equipment. Being our first time audit the figure was inaccurate. However, the college revised its financial statements in the financial year

2021-2022 after determining the accuracy and completeness of the reserves through valuation of its assets as recorded under note 20 of the 2021-2022 financial statements.

***Committee observation***

757. The Committee observed that the amount was to be used for Capital funds, further, The Institution did not provide the policies informing the basis for the prior year's adjustments.

***Committee recommendation***

758. The Committee recommends that the Regulation 104 (1) of the Public Finance (National Government) Regulations, 2015 pre-numbered receipt and payment vouchers and shall be supported, the institution should also provide the policies informing the provision for the prior year adjustments.

**3.32.3 Lack of Information Technology (IT) and Disaster Recovery Plan**

759. The College did not have a data recovery mechanism, and offsite back up for data and an IT strategic committee. Further, without a sound and approved framework, users do not have any roles and procedures to follow in to minimize the risk of errors, fraud and the loss of data confidentiality, integrity and availability.

**Management response**

760. The college had developed a Disaster Recovery Plan at the time of audit but it was at the draft stage. However, it was approved in the financial year 2021-2022 on 10<sup>th</sup> May, 2022 and it's now operational.

***Committee observation***

761. The Committee observed that the matter was resolved as the disaster recovery plan was in place as verified by the Office of the Auditor General.

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

762. The college did not have an Internal Audit Function and Audit Committee to enforce checks in the operations and activities of the College. This is contrary to the provisions of section 73(1) (a) and (5) of the Public Finance Management Act, Cap. 412A, which requires a National Government Entity to maintain internal audit and audit committee arrangements.

**Management Response**

763. The college was previously being audited by Schools Auditors from the Ministry of Education before this audit of 2020-2021. However, the circular was received about the change to using external auditors from the Office of the Auditor General. This is their first audit report.

764. Therefore, the Ministry of Education auditors have remained our internal auditors for making internal reports on the accuracy of the systems to the Board of Management audit committee which is in place and operational.

***Committee observation***

765. The Committee observed that the institution lacks an internal audit function and has not yet formed an audit committee. Consequently, there is no independent assurance that the organization's risk management, governance, and internal control processes are functioning effectively

***Committee recommendation***

766. The Committee recommends that the accounting officer ensures adherence to Section 73 (5) of the Public Finance Management Act, Cap. 412A. This section mandates that each National Government public entity must establish an audit committee with a composition and functions as specified by the Regulations. Additionally, Section 155 of the same Act requires the establishment of an effective internal audit function.

**3.33 KIMININI TECHNICAL AND VOCATIONAL COLLEGE**

767. Mr. Moses Obwasa, The Principal, accompanied by;

CPA Masai Ezekiel - Finance officer

Appeared before the Committee to adduce evidence on the audited accounts of Kiminini Technical and Vocational College, on 13<sup>th</sup> March 2024.

**3.34 Audited statements for financial year 2020/2021- (Adverse Opinion)**

**3.34.1 Inaccuracies In the Annual Report and Financial Statements**

768. The annual reports and financial statements presented by the Management of the institute were not in accordance with the approved annual financial reporting template issued by the Public Sector Accounting Standards Board.

The following misstatements were noted: -

- i. The comparative balances for the previous financial period are missing in the financial statements presented for audit;
- ii. The statement of changes in net assets was missing casting doubt on the accuracy of the statement of financial position;
- iii. The statement of cash flows had casting errors in that the net increase/decrease in cash and cash equivalents was disclosed as a negative of KES.1,666,058 instead of a negative of KES.279,531. In addition, the opening balance of cash and cash equivalents as at July, 2020 of KES.2,939,531 was not confirmed nor supported by any ledgers; and (iv)
- iv. The financial statements have not been signed by both the chairman and the principal on pages xii and xx respectively to signify ownership.

769. In the circumstances, the annual reports and financial statements are not fairly stated.

**Management Response**

- i. The comparative balances for previous financial period have been updated. This can be confirmed by the Adjusted annual report and financial statements.
- ii. The statement on changes on net assets has been put in its rightful position as it was erroneously put under notes.
- iii. The statement of cash flow has been corrected to reflect true and fair view. The amount Kshs 2,939,531 was the balance of the previous year.
- iv. The report has been duly signed by both the chair and the principal on pages xii and xx respectively to signify ownership.

***Committee observation***

770. The Committee observed that the audit issue is resolved as the amended financial statements were provided and verified. Further, the mix-up in figures for the budget and the actual realized revenue was corrected.

**3.34.2 Unsupported balances of transfers of other government entities.**

771. The statement of financial performance reflects an amount of KES.7,500,000 under transfers from the other government entities as disclosed further in Notes 6(A) and (B) to the financial statements. However, the underlying ledgers provided for audit (capitation release letters) indicate that the College received an amount of KES.2,580,000 leading to an unreconciled

and unexplained balance of KES.4,920,000. In the circumstances, the accuracy of the balance of Kshs.7,500,500 in respect of transfers from other government Entities could not be confirmed.

#### **Management Response**

772. The amount of Kshs 7,500,000 was expected from the government entity as per the budget number of trainees (250 x Kshs 30,000 = Kshs 7,500,000) but the college received Kshs 2,580,000.

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

773. The Committee observed that the matter has been resolved as management made adjustments to the financial statements with the actual capitation received instead of the budgeted figures.

#### **3.34.3 Unsupported balance of revenue from exchange transactions**

774. The statement of financial performance reflects a balance of KES.6,605,000 in respect of revenue from exchange transactions representing the rendering of services to students. However, Note 7(A) to the financial statements discloses a balance of KES.3,553,723 leading to an unexplained and unreconciled variance of KES.3,051,277. In the circumstances, the accuracy and completeness of KES.6,605,000 in respect of revenue from exchange transactions could not be confirmed.

#### **Management Response**

775. The amount of Kshs 6,605,000 was fees expected from trainees as per the budget number of trainees (250 x Kshs 26,420 = Kshs 6,605,000) but the college received Kshs 3,553,723.

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

776. The Committee observed that the matter is resolved as management had adjusted financial statements with the actual revenue realized.

#### **3.34.4 Lack of ownership documents of land**

777. The statement of financial position reflects a balance of KES.92,678,539 in respect of PPE as disclosed in Note 15 to the financial statements, including a balance of KES.6,000,000 being the value of the College's parcels of land. However, the title deed and valuation report for the land were not provided for audit review. In the circumstances, the ownership, accuracy, and fair value of the land could not be confirmed.

### **Management Response**

778. The process of seeking land title deeds was taken over by the State Department for Vocational and Technical Training and the process is ongoing.

### ***Committee observation***

779. The Committee observed that the title deed for the land has not yet been secured. This poses a risk to the college as without formal ownership documentation, the institution is exposed to encroachments or even the loss of its property.

### ***Committee recommendation***

780. The Committee recommends that the Management should ensure that college land is secured with a title within three months after appearing before the committee.

### **3.34.5 Budgetary control and performance**

781. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of KES.14,105,000 and KES.5,896,223 respectively resulting to an under-funding of KES.8,336,647 (58%) of the budget. Similarly, the College incurred actual expenditure of KES.5,219,781 against an approved budget of KES.14,105,000 resulting to an under-expenditure of KES.8,885,219 (63%) of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public by the College.

### **Management Response**

782. This being the 1<sup>st</sup> financial statements prepared since the college began, the management did not know that there was a need for adjustment of the original budget to go in line with the amount received resulting in under-expenditure.

### ***Committee observation***

783. The Committee observed that the institution did not carry out budget revisions for the year under review.

### ***Committee recommendation***

784. The Committee recommends that the Budget revisions should be implemented to accommodate changes in revenue projections, policy priorities, or new spending needs and enable the college to achieve its objectives.

### **3.34.6 Unremitted pay as you earn (PAYE) on board allowances**

785. The statement of financial performance reflects an amount of KES.361,500 with respect to the remuneration of Directors as disclosed in Note 10 to the financial statements, includes Kshs.324,000 relating to directors sitting allowances. However, the Management did not deduct PAYE and remit the same to KRA as required by Regulation 23(2)(a) of the Public Finance Management (National Government) Regulations, 2015.

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

#### **Management Response**

787. The management and board of governors had no idea that the board allowances were supposed to be deducted therefore going forward they have been informed about this requirement so that the law is adhered to.

#### **Committee observation**

788. The Committee observed that the Management did not demonstrate how the issue of un-deducted and un-remittance of the PAYEs has been acted upon hence the issue remained unresolved.

#### **Committee recommendation**

789. The Committee recommends that the Management should ensure that PAYE is deducted and remitted as required by Regulation 23(2)(a) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that an Accounting Officer must comply with any tax, levy, duty, pension and audit commitments.

### **3.34.7 Lack of operational policies and guidelines**

790. The College did not have a financial manual, human resource policies and procedures manual, internal audit operations manual, disaster recovery management policy and a risk management policy. In the circumstances, the College did not maintain proper internal controls to safeguard its operations and transactions.

#### **Management Response**

791. The policies and guidelines have been formulated and approved by the board of governors. The policies and guidelines were as follows: Financial manual, Human resource policies and procedures manual, Internal audit operations manual, Disaster recovery and management policy and risk management policy.

***Committee observation***

792. The Committee observed that the matter had been resolved as the policies had been developed and provided for audit.

**3.35 CHANZEYWE TECHNICAL AND VOCATIONAL COLLEGE**

844. Mr. Moses Omuga Mayoya, Chief Principal, accompanied by;

Mr. Patrick Ochoka- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Chanzeywe Technical and Vocational College, on 13<sup>th</sup> March 2024.

**3.36 Audited statements for Financial Year 2020/2021(Qualified Opinion)**

**3.36.1 Unsupported Expenditure on Use of Goods and Services**

845. The statement of financial performance reflects an amount of Kshs. 1,366,592 on use of goods and services, as disclosed in note 15 to the financial statements. The expenditure includes Kshs.147,704 relating to travelling and accommodation. However, the expenditure was not supported by payment vouchers and other documentation.

846. In the circumstance, the propriety of expenditure of Kshs.147,704 could not be confirmed.

**Management Response**

847. During the time of Audit we had prepared the payment vouchers, however not all payment vouchers had supporting documents due to the fact that they had been lumped together and they had not been sorted.

848. Now the payment vouchers are supported with the necessary documentation. Going forward all our payment vouchers are fully supported.

***Committee observation***

849. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.36.2 Lack of an Approved Budget**

850. The statement of comparison of budget and actual amounts indicates that the college had a budget of Kshs. 8,523,000 to finance its operations and activities during the year under review. However, the college did not provide an approved budget by both the Board of Governors and Parent Ministry, contrary to the provisions of Section 22(1) of the second schedule of the Technical and Vocational Education Training Act, Cap. 210A and Regulation 31 of the Public Finance Management (National Government) Regulations, 2015.

851. In the circumstances the management was in breach of Law.

#### **Management Response**

852. During the first half of the year under review, the college was being mentored by Sigalagala National Polytechnic. The Board of Governors had not been dully appointed. The BOG was appointed on 14<sup>th</sup> October 2020 and inaugurated on 24<sup>th</sup> November 2020 which was outside the budget making period.

#### ***Committee recommendations***

853. The Committee recommends that the Auditor should report about the status of the same in the next audit cycle.

### **3.36.3 Lack of Audit Committee**

854. During the year under review, the college did not have an Audit Committee to carry out oversight functions on Risk Management, Overall Governance and follow up on implementation of recommendations of Internal and External Auditors. This is contrary to Regulation 43(b) of Public Finance Management Regulation, 2015 (National Government).

855. In the circumstance, the Management was in breach of law.

#### **Management Response**

856. Formation of BOG committees was done on 16<sup>th</sup> December 2020. The first cohort of trainees reported in February 2021 and due to covid 19 interruptions the Audit Committee didn't hold any meeting in the said period.

857. Currently the Audit and Risk Management committee is constituted and active.

***Committee observation***

858. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

**3.36.4 Lack of Risk Management Policy Framework**

859. The college operated without a documented Risk Management Policy Framework. Contrary to Regulation 165(1) a and (b) of Public Finance Management (National Government) Regulations, 2015 which requires all national government entities to develop risk management strategies and a system of risk management and internal controls that builds robust business operations.

860. In the circumstance the management was in breach of the law.

**Management Response**

861. The college was registered on 28<sup>th</sup> January 2021 and was only 4(Four months) in operation by the time of audit. The strategic plan had not been developed hence no policy document could be formulated since they draw objectives and values from the strategic plan.

862. Currently the Strategic plan, Audit and Risk Management Committee Charter, Finance Management Policy, Finance Management Procedure Manual together with the Audit and Risk Management Policy have been developed and approved by the BOG.

***Committee observation***

863. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization and approval by the Board.

### **3.36.5 Lack of Human Resource Policies and Manuals**

864. Review of the Human Resource records revealed that the college did not have a strategic plan and approved Human Resource Manuals contrary to the requirement of the Technical Vocational Education and Training Act, Cap. 210 A which requires all heads of public institutions to develop and implement institution's strategic plan.

#### **Management Response**

865. The college was registered on 28<sup>th</sup> January 2021 and was only 4(Four) months in operation by the time of audit. The strategic plan had not been developed hence no policy document could be formulated since they draw objectives and values from the strategic plan.

866. Currently the Strategic plan, Audit and Risk Management Committee Charter, Finance Management Policy, Finance Management Procedure Manual together with the Audit and Risk Management Policy have been developed and approved by the BOG. The Human Resource Policy Development is in progress and will be available by the end of the FY 2023/2024.

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

867. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

868. The Committee recommends that 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 Public Finance Management Act , Cap. 412A.

869. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

870. 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, Cap. 412B.

### **3.37 WEBUYE WEST TECHNICAL AND VOCATIONAL COLLEGE**

871. Ms. Lilian Simali, Chief Principal, accompanied by;

- i) Ms. Jessica Ngichambe- Finance Officer
- ii) Ms. Irene Mabele- Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Webuye West Technical and Vocational College, on 13<sup>th</sup> March 2024.

### **3.38 Audited statements for Financial Year 2020/2021(Qualified Opinion)**

#### **3.38.1 Inaccuracies in Employees Costs**

872. The statement of financial performance reflects employee costs of Kshs.2, 864,780.00 while supporting schedules reflect Kshs.2, 801,713.00 resulting in unexplained and unreconciled variance of Kshs.63, 067.00

873. In the circumstances, the accuracy and completeness of the employee costs of Kshs.2, 864,780.00 could not be confirmed.

#### **Management Response**

874. The management is in agreement with the audit observation. However, the Management will amend financial statements in the subsequent current financial year 2022/2023 as prior year adjustments.

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

875. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

876. 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 Public Finance Management Act, Cap. 412A.

877. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

878. 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, Cap. 412B.

### **3.38.2 Unsupported Receivables from Exchange Transactions**

879. The statement of financial position reflects a balance of Kshs.5, 813,995.00 in respect of receivables from exchange transactions which, as disclosed in Note 25(b) to the financial statements. The balance relates to student debtors which were not supported by schedules and aging analysis.

880. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.5, 813,995.00 could not be confirmed.

#### **Management Response**

881. The student debtors of Kshs.5,813,995.00 were dully supported by schedules and aging analysis provided.

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

882. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.38.3 Unsupported Intangible Assets**

883. The statement of financial position reflects intangible assets balance of Kshs.186, 562 as disclosed in Note 29 out of which additions of Kshs.248, 750.00 were not supported with documents to confirm the supply and installation of intangible assets.

884. In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.186, 562.00 could not be confirmed.

#### **Management Response**

885. Documentation was provided confirming the supply and installation of intangible assets giving an accurate balance of Kshs.186, 562.00 as intangible assets.

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

886. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

#### **3.38.4 Unsupported Inventories**

887. The statement of financial position reflects inventories balance of Kshs.172, 521.00 as disclosed in Note 27 to the financial statements. The amount relates to consumable stores and central stores which were not supported by stock sheets and physical stock sheet reports.

888. In the circumstances, the accuracy and completeness of inventories balance of Kshs.172, 521.00 could not be confirmed.

#### **Management Response.**

889. The inventories figure of Kshs.172, 521.00 was dully supported by stock sheets and physical stock taking reports from the stores department.

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

890. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

#### **3.38.5 Unsupported Trade and Other Payables**

891. The statement of financial position reflects the trade and other payables balance of Kshs.1, 563,465.00 which was not supported by schedules and analysis.

892. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.1, 563,465.00

#### **Management Response**

893. The Trade and Other Payables balance of Kshs.1,563,465.00 was supported with schedules and aging analysis to confirm its accuracy as indicated in the statement of financial performance for the year ended 30<sup>th</sup> June 2021.

### *Committee observation*

894. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the aging analysis provided.

### **3.38.6 Unsupported Revaluation Reserves**

895. The statement of changes in net assets reflects revaluation reserve of Kshs.249, 730,925.00 as at 01 July 2020 which was not supported by revaluation reports.

896. In the circumstances, the accuracy and completeness of the revaluation reserves of Kshs.249, 730,925.00 could not be confirmed.

### **Management Response**

897. The figure of Kshs.249, 730,925.00 as reflected in the statement of changes in net assets refers to capital fund since the start-up of the college. The management is in agreement with audit observation. However, the management will amend financial statements in the subsequent current financial year 2022/2023 as prior year adjustment for the balance to be reflected as capital fund.

### *Committee observation*

898. The Committee observed significant errors in the financial statements exhibiting incompetence within the institution.

### *Committee recommendation*

899. The Committee recommends that the Ministry of Education enhances capacity building of Accounting Officers in learning institutions to make them vast in audit matters.

### **3.38.7 Unsupported General Expenses**

900. The statement of financial performance reflects general expenses of Kshs.5, 960,795.00 which was at variance with the supporting ledger amount of Kshs.1,115,649.00 resulting to a variance of Kshs.4, 845,146.00. Further analysis of the expenditure revealed payments of Kshs.660,350.00 which were not approved, and whose supporting documentation including

requisitions, contract agreements, delivery notes and store records were not provided for audit.

901. In the circumstances, the accuracy and completeness of the general expenses of Kshs.5,960,795.00 could not be confirmed.

**Management Response.**

902. The general expenses of Kshs.5,960,795.00 were supported with the supporting documents and approved by the accounting officer accordingly as per the recommendations that were given by the reports of the auditor general. Requisitions, contract agreements, delivery notes and store records were provided.

***Committee observation***

903. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

**3.38.8 Lack of Ownership and Supporting Documents for Property, Plant and Equipment.**

904. Statement of financial position reflects property, plant and Equipment balance of Kshs.233,523,799.00 as disclosed in Note 28 to the financial statements. However, the asset movement schedule does not disclose classes of assets, depreciation rates and the basis of arriving at the values used, that is whether cost or revaluation while the assets register was not updated. Further, depreciation policy and method were not stated.
905. In addition, ownership documents including log books for the motor vehicles and the title deeds to the land were not provided for audit.
906. In the circumstances, the accuracy and completeness, and ownership of property, plant and equipment balance of Kshs.233, 523,799.00 could not be confirmed.

**Management Response**

907. Management prepared the classes of assets and their depreciation rate which is straight line method of asset depreciation. Ownership documents for the land (title deed) is available while for the vehicle Registration Number GKA 019T was donated to the college by the Ministry of Education, County Director TVET office.

#### *Committee observation*

908. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

#### **3.38.9 Budgetary Control and Performance**

909. The statement of Comparison of Budget and actual amounts reflects final expenditure budget of Kshs.16, 926,000.00 against actual expenditure of Kshs. 6,548,844.00 resulting to an under-expenditure of Kshs.10, 377,156 or 61% of the Budget.

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

#### **Management Response**

911. The Management is in agreement with audit observation. However, the management will strive to eliminate the underperformance was as a result of inadequate fees received from trainees who majorly rely on capitation, HELB and Bursaries as source of rendering of services/revenue from exchange transactions.

#### *Committee observation*

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

#### *Committee recommendation*

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

914. The Committee further recommends that the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

915. The Committee recommends that the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenue.

#### **3.38.10 Lack of Risk Management Policy and Strategy**

916. 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 controls risk exposures. This is in contravention of Regulation 165(1) (a) and (b) of Public Finance Management (National Governments) Regulations, 2015 which requires 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 controls that builds robust business operations.

917. In the circumstances, the effectiveness of risk management controls could not be confirmed.

#### **Management Response**

918. The college management developed Risk Management Policy and Strategy which was ratified and approved by Board of Governors via Minute MIN.7/BOG/31/1/23 attached. The Risk Management Policy was provided thus; there is efficiency and effectiveness of risk management controls in the College.

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

919. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.39 EBUKANGA TECHNICAL AND VOCATIONAL COLLEGE**

793. Ms. Clara Timothy, Chief Principal, accompanied by;

- i) Mr. Elius Mabinda- Accounts Clerk

Appeared before the Committee to adduce evidence on the audited accounts of Ebukanga Technical and Vocational College, on 14<sup>th</sup> March 2024.

### **3.40 Audited statements for Financial Year 2020/2021(Qualified Opinion)**

#### **3.40.1 Inaccuracies in Statement of Cash Flows**

794. The statement of cash flows reflects balances for six (6) items that vary with the balances reflected the statement of financial performance and statement of financial position for the same items as shown below.

<b>Component Description</b>	<b>Amounts as per Statement of Cash Flows</b>	<b>Amount as per statement of Financial Performance/Position</b>	<b>Variance</b>
Transfers from Government Entities	3,362,300	6,120,000	2,757,700
Rendering of Services	1,087,396	2,979,460	1,892,064
Use of Goods and Services	1,756,047	3,772,712	2,016,665
Employee Costs	1,005,442	1,055,442	50,000
Remuneration to Bog Members	725,742	765,742	40,000
PPE-Additions	299,190	1,062,790	763,600

795. In the circumstances, the accuracy and completeness of the balances reflected in the statement of cash flow could not be confirmed.

### **Management Response**

#### ***a) Transfers from government entities***

796. Amount of Kshs. 3,362,300 shown in the statement of Cash Flows shows the actual cash that was received from the government entities during the period under review while the amount of Kshs. 6,120,000 as per statement of Financial Performance shows the amount that was expected to be received from government entities during the period under review.

Reconciliation statement

Amount as per the statement of Financial Performance		6,120,000
Less: Receivables from none- exchange transaction	(1,957,500)	

Less: Amount paid to Friends College Kaimosi (mentor)	(800,200)	(2,757,700)
Amount as per the statement of cash flow		<b>3,362,300</b>

***b) Rendering of services***

797. Amount of Kshs. 1,087,396 shown in the statement of Cash Flows shows the actual cash that was received from rendering of services during the period under review while the amount of Kshs. 2,979,460 as per statement of Financial Performance shows the amount that was expected to be received from rendering of services during the period under review hence the variance of Kshs. 1,892,064.

798. However, of Kshs. 88,526 of Kshs. 1,087,396 shown as per statement of Cash Flows was payments received advance and refundable deposits

Reconciliation statement

Amount as per the statement of Financial Performance		2,979,460
Add: payments received advance	79,026	
Add: refundable deposits	9,500	88,526
Less: receivables from exchange transactions		(1,980,590)
Amount as per the statement of cash flow		<b>1,087,396</b>

***c) Use of goods and services***

799. Amount of Kshs. 1,756,047 shown as per statement of Cash Flows shows the actual cash that was paid towards use of goods and services during the period under review while the amount of Kshs. 3,772,712 as per statement of Financial Performance shows the amount of cash paid plus accrued expenses towards use of goods and services during the period under review hence the variance of Kshs. 2,016,665.

Reconciliation statement

Amount as per the statement of Financial Performance		3,772,712
Less: trade and other payables from use of goods and services	(1,216,465)	
Less: Amount paid to Friends College Kaimosi (mentor)	(800,200)	(2,016,665)
Amount as per the statement of cash flow		<b>1,756,047</b>

**d) Employee costs**

800. Amount of Kshs. 1,005,442 shown as per statement of Cash Flows shows the actual cash that was paid towards Employee costs during the period under review while the amount of Kshs. 1,055,442 as per statement of Financial Performance shows the amount of cash paid plus accrued expenses towards Employee costs during the period under review hence the variance of Kshs. 50,000.

Reconciliation statement

Amount as per the statement of Financial Performance		1,055,442
Less: trade and other payables (BOG part-time trainers' salary for June 2021)	(50,000)	(50,000)
Amount as per the statement of cash flow		<b>1,005,442</b>

**e) Remuneration to BOG members**

801. Amount of Ksh. 725,742 shown as per statement of Cash Flows shows the actual cash that was paid towards Remuneration to BOG members during the period under review while the amount of Ksh. 765,742 as per statement of Financial Performance shows the amount of cash paid plus accrued expenses towards Remuneration to BOG members during the period under review hence the variance of Ksh. 40,000.

Amount as per the statement of Financial Performance		765,742
Less: trade payables(BOG expenses)	(40,000)	(40,000)
Amount as per the statement of cash flow		<b>725,742</b>

*f) PPE-Additions*

920. Amount of Ksh. 299,190 shown as per statement of Cash Flows shows the actual cash that was paid towards acquisition of PPEs by the college during the period under review. However, the college received additional PPEs (donation from NG-CDF Emuhaya of Pit latrine blocks and furniture and computers from CDTVET Kakamega/Vihiga) whose value was Ksh. 763,600 which were capitalized hence the total figure of Ksh. 1,062,790. The variance of Ksh. 763,600 between statement of Cash Flows and statement of Financial Performance was due to the above.

Reconciliation statement

Amount as per the statement of cash flows		299,190
Add: donation from NG-CDF Emuhaya of Pit latrine blocks	700,000	
Add: donation from CDTVET Kakamega/Vihiga furniture and computers	63,600	763,600
Amount as per the statement of financial position		<b>1,062,790</b>

***Committee observation***

921. The financial statements of the institution did not balance leading to the inaccuracies stated in the audit report.
922. The Committee further observed a lack of capacity in the organization which leads to gaps in the management of the institution.

***Committee recommendation***

923. The Committee recommends that the Ministry of Education makes an effort to prioritize capacity building in learning institutions for better management and service delivery.
924. The Committee further recommends that the Accounting Officer reconciles the financial statements.

### **3.40.2 Unsupported valuation of property, plant and equipment**

925. The statement of financial position reflects an amount of Kshs. 100,312,828 with respect to property plant and equipment. As disclosed in Note 19 to the financial statements, the amount includes an opening balance of Kshs. 113, 966,030. However, the valuation report was not provided for audit to confirm the opening balances of the College's assets.
926. Further, the college was utilizing workshops and administration blocks constructed by the mentor institution, Friends College Kaimosi, but the value of these buildings were not included in the property, plant and equipment balance as at 30 June, 2021.
927. In addition, the method used to compute depreciation and impairment loss for the assets amount of Kshs. 14, 715,994 was not disclosed in the notes to the financial statement. This is contrary to paragraph 88 of IPSAS 17 which provide that the financial statements shall disclose, the depreciation method and rate used.
928. In the circumstances, accuracy of the balance of property, plant and equipment of Kshs. 100,312,826 could not be confirmed.

#### **Management Response**

929. The college is young and valuation of assets is an expensive endeavor given the limited resources. However, Board of Ebukanga TVC has planned to carry out valuation in phases once resources are available.
930. The workshop and administration block have NOT been handed over to the Board of Ebukanga TVC by the mentor institution, Friends College Kaimosi. In this regard, the workshop is not fully controlled by the Board of Ebukanga TVC despite utilizing it. Therefore, in compliance with IPSAS 17 the management did not recognize the asset until it is handed over by the mentor institution. This is evidenced by a letter from Friends College Kaimosi (Mentor College) Ebukanga TVC on the handing over.
931. The college used straight-line method depreciation and in the subsequent reporting the same will be disclosed going forward in accordance with Which IPSAS standards.

*Committee observation*

932. The Committee acknowledged the efforts made by the institution to value their property.

*Committee recommendation*

933. The Committee recommends that the Accounting Officer makes deliberate actions in valuing and obtaining their property.

**3.40.3 Unreconciled trade and other payables**

934. The statement of financial position reflects an amount of Kshs. 1,266,465 with respect to trade and other payables. As disclosed under Note 20 to the financial statements, this amount includes payables of Kshs. 863,365 due to Friends College Kaimosi. However, the financial statements for Friends College did not reflect any receivables from Ebukanga College. In addition, the billing from Friends College indicated that they were owed Kshs. 1,663,565. The management has not reconciled the balances to establish the accurate position of the liability.

935. In the circumstances, the accuracy of trade and other payables of Kshs. 1,266,465 could not be confirmed.

**Management Response**

936. The college has reconciled its records with Friends College Kaimosi (Mentor College) on the debt of Ksh. 863,365 owed to it by Ebukanga TVC. This is evidenced by the copy of a letter from Friends College Kaimosi (Mentor College).

*Committee observation*

937. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections and subsequent compliance.

**3.40.4 Lack of Internal Audit and Active Audit Committee**

938. Review of the internal controls of the College, revealed that the College did not have in place an Internal Audit function. This is contrary to Section 73(1) of the Public Finance Management Act, Cap. 412A which requires every National Government entity to have

appropriate arrangements in place for conducting internal audit. Further, the College has established an Audit Committee but no evidence was provided for meetings convened by the Committee during the period under review. This is contrary to Regulations 179(1) of the Public Finance Management (National Government) Regulations, 2015 which provide that the audit committee shall meet at least once in every three months.

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

#### **Management Response**

940. The College has an Internal Audit Function and Active Audit Committee as evidenced by;

- a) Minutes of the Board appointing committee members and letters of appointment of committee members.
- b) Letter to Friends College Kaimosi (Mentor College) requesting services of Internal Auditor and Co-option of Internal Auditor to Board's Audit and Risk committee.
- c) Activities of the Board's Audit and Risk committee evidenced by the minutes.

#### **Committee observation**

941. The Committee observed that the institution did not provide the necessary documentation within the stipulated timelines as was directed by the Committee.

#### **Committee recommendation**

942. 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 Public Finance Management Act, Cap. 412A.

943. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

944. 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, Cap. 412B.

### **3.40.5 Delayed Completion of Buildings**

945. Review of contracts revealed that a contractor was awarded a contract for construction and completion of twin workshop, classrooms and offices on 27 October, 2014 at a contract sum of Kshs. 55,055,814 for a contract period thirty-one (31) week. The contractor failed to complete the project even after he was granted several extensions. As a result, the contract was terminated on 18 April, 2019 and the contractor had been paid an amount of Kshs. 51,015,254 for certified works.
946. Further, the incomplete works were awarded to another contractor at a contract sum of Kshs. 3,679,810 without competition as required by the Public Procurement and Asset Disposal Act, Cap. 412C . In addition, the contracted works were not included as work in progress in the financial statements.
947. In the circumstances, Management was in breach of law and effectiveness in use of resources could not be confirmed.

### **Management Response**

948. Friends College Kaimosi (Mentor College) is working on incomplete electrical works that have made the building incomplete and once complete the building will be complete. This is evidenced by the following:
- a) A copy of letter from Ebukanga TVC to Friends College Kaimosi (Mentor College) on completion of electrical works in the college.
  - b) A copy of letter from Friends College Kaimosi (Mentor College) to The Principal Secretary, State Department for Technical, Vocational Education and Training on the workshop.

### ***Committee Recommendation***

949. The Committee recommends that the Auditor to report on the same in the next financial audit.

### **3.40.6 Lack of proper handing and taking over**

950. Review of documents relating to the establishment of the College revealed that the Ministry of Education vide letter reference No. MST/DTE/6/5/VOL.V dated 13 August, 2014 appointed Friends College Kaimosi as the mentor institution to oversee the operations of

the Ebukanga College. The mentorship program ended in January, 2020 when Ebukanga Technical and Vocational Board was appointed. However, there was no evidence of official handing and taking over between the two institutions as required by Regulation 169(1) and (2) of the Public Procurement and Asset Disposal Regulations, 2020.

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

**Management Response**

952. The BOG of Ebukanga TVC and Friends College Kaimosi (Mentor College) have agreed on handing over to be done in the next board meeting convened by Ebukanga Technical and Vocational College. This is evidenced by a letter from Friends College Kaimosi (Mentor College) Ebukanga TVC on the handing over.

***Committee recommendation***

953. The Committee recommends that the Auditor to follow up with Ebukanga TVC and Friends College Kaimosi on the next Audit cycle.

**3.40.7 Lack of Risk management policy**

954. Review of the internal controls indicated that the college did not have a risk Management Policy and therefore had not approved processes and guidelines on how to mitigate operational, legal and financial risks as stipulated under Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015. In addition, the College did not have a Disaster Recovery Plan.

955. In the circumstances, the effectiveness of risk management strategies used by the College could not be confirmed.

**Management Response**

956. The college has currently an approved risk management policy as evidenced by the following:

- a) Risk management policy
- b) Minutes of the Board of Governors approval.

### ***Committee observation***

957. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections and subsequent regularization and approval by the board.

### **3.40.8 Lack of Proper Management of Student Debtors**

958. The statement of financial position and as disclosed in Note 17 to the financial statements, reflects current receivables from exchange transactions amount of Kshs. 1,980,590. The amount represents school fees arrears due from full time students. A total of fifty (50) students had not paid the required fees in full as at 30 June, 2021 and there was no evidence provided indicating the measures put in place in ensuring that fees arrears were paid in full. Further, the College did not have a receivable aging analysis report and a Debt Management Policy outlining measures put in place to mitigate against bad debts. In addition, there was no provision for bad and doubtful debts in the financial statements.

959. In the circumstances, the effectiveness of strategies used to manage student debtors could not be confirmed.

### **Management Response**

960. The college has currently debt management policy approved by the Board of Governors as evidenced by the following:

- (a) Finance management policy which has the debt management policy in it.
- (b) Minutes of the Board of Governors approval.

### ***Committee observation***

961. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections and subsequent regularization.

### **3.40.9 Human Resource Policy**

962. During the period under review, it was noted that the College did not have an approved Human Resource Management Policy and an organization structure. Lack of these policy documents was contrary to Regulation 5(g) of the Technical and Vocational Education and Training Regulations, Cap. 210A.

963. In the circumstances, the effectiveness of the strategies used to manage the human resource in the College could not be confirmed.

#### **Management Response**

964. The college has currently an approved organization structure. The human resource policy is in its draft stage before it's approved by the Board of Governors.

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

965. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

966. The Committee recommends that the Accounting Officer must at all times ensure that they avail 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 Public Finance Management Act, Cap. 412A.

967. The Committee recommends that the Accounting Officer must at all times ensure that they prepare and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

968. The Committee recommends that the Accounting Officer must at all times ensure that they provide accurate records and other supporting documents pursuant to Section 9 (1) (e) of the Public Audit Act, Cap. 412B.

### **3.41 SABATIA TECHNICAL AND VOCATIONAL COLLEGE**

969. Ms. Grace Titi, Chief Principal, accompanied by;

- ii) Mr. Gideon Mwavali-Former Principal
- iii) Ms. Milfred Atandi- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Sabatia Technical and Vocational College, on 14<sup>th</sup> March 2024.

### **3.42 Audited statements for Financial Year 2019/2020(Qualified Opinion)**

### **3.42.1 Statement of Cash Flows**

970. The statement of cash flows indicates cash and cash equivalents as at 1 January 2019 as Kshs. 30,729. However, this figure has not been supported to confirm its accuracy. In addition, the use of goods and services figure of Kshs. 3,200,333 does not match Kshs. 7,165,220 in the statement of financial performance resulting to unreconciled variance of Kshs.3, 964,887.
971. Consequently, the accuracy of the cash flow statement for the period ended 30 June 2020 could not be confirmed.

#### **Management Response**

972. Opening cash balance of Ksh.30, 729 refers to the balance handed over by the mentoring Institution emanating from transactions prior to the inauguration of the Board. The resulting difference of Kshs. 3,200,333 was payables accrued during the year.

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

973. The Committee observed that the statement of cashflows were not recorded as per International Public Sector Accounting Standards.
974. The Committee observed that the Accounting Officer failed to provide satisfactory explanations on the variances in the statements indicating lack of management of the institution.

#### ***Committee recommendation***

975. The Committee therefore reprimands both the Accounting Officer and the Accountant for not operating within the law.
976. The Committee recommends that the National Treasury being the custodian/secretariat of the Public Sector Accounting Standards Board should at all times ensure there is complete compliance to the IPSAS standards of reporting issued from time to time by the Board.
977. The Committee recommends that the Accounting Officers must ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring goods and services and that, in the case of goods, adequate arrangements are made for their custody, safeguarding and maintenance pursuant to the provisions of section 68(2) (e) of the Public Finance Management Act, Cap. 412A.

### **3.42.2 Capital Fund**

978. The statement of financial position as at 30 June 2020 reflects capital fund as Kshs.59,208,321. However, the composition or source of this amount has not been explained or supported.
979. Consequently, the accuracy and validity of the capital fund of Kshs.59,208,321 as at 30 June 2020 could not be confirmed.

#### **Management Response**

980. The capital fund comprises of the government funding for the construction of the college. The Sigalagala National Polytechnic being the mentoring institution was charged with the responsibility of receiving and administering the funds.

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

981. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

982. 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 Public Finance Management Act, Cap. 412A.
983. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.
984. 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, Cap. 412B

### **3.42.3 Property, Plant and Equipment**

985. The statement of financial position as at 30 June 2020 reflects property, plant and equipment as Kshs. 58,364,451. As indicated in note 16 to the financial statements the cost as at 1 January 2019 of land and buildings, furniture and fittings and computers was Kshs. 57,669,270, Kshs.1,182,495 and Kshs. 779,100 respectively. However, the source and composition of these figures has not been provided or disclosed.

986. Further, the college is sited on 5 acres of land while the title to the land has not been provided for audit review to confirm the size and ownership status. Its value could also not be ascertained.
987. The college received various assets from the parent ministry for use in electrical training courses. However, these assets were not included in the fixed assets register and their cost could also not be ascertained.
988. Consequently, the accuracy, validity and completeness of the property, plant and equipment figure of Kshs. 58,364,451 as at 30 June 2020 could not be confirmed.

#### **Management Response**

989. Property, plant and equipment valued at Kshs. 58,364,451 as at 30th June 2020 is based on information handed over by the mentoring institution. Arrangements are being made subject to availability of funds to undertake a comprehensive valuation of the assets so as to reflect their true value in the books.
990. Efforts are being made in conjunction with the Ministry and the National Lands Commission to acquire title to the college land. Attached see the correspondences.
991. Arrangements are being made subject to availability of funds to undertake a comprehensive valuation of the assets so as to reflect their true value in the books.

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

992. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

993. 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 Public Finance Management Act , Cap. 412A.
994. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act , Cap. 412A.

995. 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, Cap. 412B.

### 3.42.4 Budgetary Control and Performance

#### 3.42.4.1 Revenue Analysis

996. The statement of comparison of budget and actual amounts reflects total budgeted revenues of Kshs. 31,072,000 and actual revenues of Kshs. 19,369,124 (62%) resulting to a budget shortfall of Kshs. 11,702,876 as analyzed below;

Revenue Component	Budget	Actual	Under	Over	Percentage
	Kshs.	Kshs	Kshs	Kshs	Kshs
Transfers from other government entities	8,000,000	3,632,500	4,367,500		55%
Rendering of services- Fees from students	23,048,000	15,676,624	7,371,376		32%
Sale of goods	24,000	0	24,000		100%
Other income	0	60,000		60,000	
<b>Total</b>	<b>31,072,00</b>	<b>19,369,124</b>	<b>11,762,876</b>	<b>60,000</b>	

#### Management Response

997. The national government did not transfer Kshs. 4,367,500 it appropriated for the institution. There was also a shortfall in fee collections by Kshs. 7,371,376 mainly due to the closure

of learning institutions in March 2020. Due to the reduced revenue realized, the college was not able to fund critical activities such as expansion of lecture theatres, hiring of trainers and building of workshops.

#### **3.42.4.2 Expenditure Analysis**

998. The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs. 26,230,202 and actual expenditure of Kshs. 14,547,351. This resulted to under-performance of Kshs.11,782,851 or about 42% as a result of the closure of the college due to covid pandemic and also due to the lower revenues.
999. Repairs and maintenance expenses amounting to kshs.102,710 were not budgeted for as indicated above which contravenes regulation 52(2) of the Public Finance Management (National Government) Regulations,2015 that requires expenditure commitment be based only on allocations and allotments from approved budgets.

#### **Management Response**

- 1000.Repairs and maintenance had wrongly been provided for under the use of goods and services in the budget. This has since been corrected in the subsequent budgets.

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

- 1001.The Committee observed that late or non-receipt of exchequer impacted budgetary performance negatively.

#### ***Committee recommendation***

- 1002.The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.
- 1003.The Committee further recommends that the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.
- 1004.The Committee recommends that the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenue.

### **3.42.5 Late Submission of Financial Statements**

1005. The financial statements for the period ended 30 June 2020 were initially submitted and received by the office of the Auditor General on 21 October 2020. This was contrary to Section 164(4) of the Public Finance Management Act, Cap. 412A which requires that within three Months after the end of each financial year the accounting officer shall submit the entity's financial statements to the Auditor General.

1006. Consequently, the Management was therefore in the breach of the law.

#### **Management Response**

1007. Late submission was due to oversight. We regret the breach and undertake to ensure full compliance, going forward.

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

1008. The Committee observed that there was late submission of documents contrary to section 68(2)(k) of the Public Finance Management Act, Cap. 412A

#### ***Committee recommendation***

1009. The Committee recommends that the Ministry of Education makes it a priority to ensure capacity building of accounting officers to enhance the quality of management and compliance with the various laws such as the Public Finance Management Act, Cap. 412A and general accounting standards.

1010. 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 Public Finance Management Act, Cap. 412A.

1011. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

1012. 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, Cap. 412B

### **3.42.6 Risk Management Framework**

1013. The college did not insure its assets during the period contrary to Regulation 139 Public Finance Management (National Government), 2015 that requires an accounting officer of a national government entity to take full responsibility and ensure that proper control for assets in their control. It did not also have the mandatory work injury benefit cover for its employees as required by section 7 of the Work Injury Benefits Act, Cap. 236.

1014. Consequently, the company was at risk of loss in case of any insurable events occurring.

#### **Management Response**

1015. The college was not able to insure its assets during the period under review due to financial constraints. We however recognize the risk and thus undertake to prioritize the issue in our future budgets.

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

1016. The Committee observed that the Accounting Officer was instructed to inform the National Treasury through the Ministry of Education to receive funds for the risk management framework, however, no progress has been made on the issue.

#### ***Committee recommendation***

1017. The Committee recommends that the Accounting Officer makes deliberate effort to follow up on the funds and put in place a risk policy framework for the institution.

### **3.42.7 Human Resource Policies and Procedures**

1018. The Human Resource Policies and Procedures Manual for public Service of May, 2016 part II requires that each public entity to prepare human resource plans to support its achievement of strategic goals and objectives. However, the college has not established appropriate Human Resource Policies and Procedures to govern the recruitment process of the employees of the institution, guide in the management of the employees through remuneration, training and skill retention as well as in the administration of leave and salary advance to employees. In addition, the institution has not yet established a code of ethics within which the employees are to operate.

### **Management Response**

1019. Management has since developed the necessary human resource management policies and procedures to guide management of its human resource.

### ***Committee observation***

1020. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.43 Audited statements for Financial Year 2020/2021 (Qualified Opinion)**

#### **3.43.1 Property, Plant and Equipment**

1021. The statement of financial position reflects property, plant and equipment balance of Kshs. 60,447,587. However, note 19 to the financial statements reflects a balance of Kshs. 61,544,837 resulting to an unexplained and unreconciled variance of Kshs. 1,097,250. Further, and as previously reported the following anomalies were noted: -

- i. The Property, Plant and Equipment balance was not supported with the detailed assets register and the various assets ledgers.
- ii. The Property, Plant and Equipment balance includes Kshs. 5,328,200 (additions) in respect of various classes assets, which was not supported by a valuation report, title deeds and details of the acquisitions cost.
- iii. In addition, the ownership documents or the title deed for a parcel of land measuring five (5) acres on which the college is located were not provided for audit review.
- iv. The college received various assets from the parent ministry for use in electrical training courses. However, these assets were not included in the fixed assets register and therefore, their value could not be confirmed.
- v. Further, there was no evidence of assets count, valuation, tagging and if the assets had been insured accordingly.

1022. In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs. 60,447,587 could not be confirmed.

### **Management Response**

1023. We have since developed a detailed assets register for the Property, Plant and Equipment.

We have provided supporting schedules for the additions to assets amounting to  
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Kshs.5,328,200 to the auditors for the year under review. We are following up the matter with the Ministry of Education, the National Lands Commission and the County Government of Vihiga. The college has made arrangements to undertake a comprehensive valuation of the training equipment received from the government subject to availability of funds.

1024. Assets count and tagging has been completed. Arrangements are being made subject to availability of funds to undertake a comprehensive valuation and insurance of the assets so as to reflect their true value in the books.

***Committee observation***

1025. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

**3.43.2 Unsupported Capital Fund**

1026. The statement of financial position reflects capital fund balance of Kshs. 57,060,507 which had an opening capital fund balance of Kshs 59,208,321. However, and as previously reported, the composition of the opening fund balance or the supporting documentation was not provided for audit review. Further, the depreciation charge for the year amounting to Kshs. 2,147,814 was transferred from the capital fund to revenue reserves even though the amount does not entirely relate to assets transferred from the Government.

1027. In the circumstances, the accuracy and completeness of the capital fund of Kshs. 57,060,507 could not be confirmed.

**Management Response**

1028. The capital fund comprises of the government funding for the construction of the college. The Sigalagala National Polytechnic being the mentoring institution was charged with the responsibility of receiving and administering the funds.

***Committee observation***

1029. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

***Committee recommendation***

1030. 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 Public Finance Management Act, Cap. 412A.

1031. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

1032. 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, Cap. 412B.

### **3.43.3 Budgetary Control and Performance**

1033. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 33,376,000 and Kshs. 20,429,832 respectively resulting to an under-funding of Kshs. 12,946,168 or 39% of the budget. Similarly, the college spent a total of Kshs. 15,309,022 against an approved budget of Kshs. 26,631,990 resulting to an under-expenditure of Kshs. 11,322,968 or 43% of the budget.

1034. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the students.

#### **Management Response**

1035. The under-funding and under-performance were mainly as a result of the Covid19 pandemic disruptions. However, there was minimal effect on the general services provided to the students.

#### **Committee observation**

1036. The Committee observed that late or non-receipt of exchequer impacted budgetary performance negatively.

#### **Committee recommendation**

1037. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.

1038. The Committee further recommends that the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

1039. The Committee also directs that the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenue.

### 3.43.4 Unresolved Prior Year Matters

1040. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues and did not give reasons for the delay in resolving the issues.

#### Management Response

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management Comments	Status: (Resolved/N ot Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/SABATIATVC /2018/2020/ (01)	<p><b>1.0 Statement of cash flows</b></p> <p>Unconfirmed Opening Cash Balance</p> <p>Unreconciled use of goods and services</p>	<p>Opening cash balance of Kshs. 30,729 refers to the mentoring Institution emanating from transaction prior to the inauguration of the Board</p> <p>The resulting difference was payable was payables accrued during the year.</p>	Resolved	

	<b>2.0 Capital Fund</b>	<p>The capital fund comprises of the government funding for the construction of the college. The Sigalagala National Polytechnic being the mentoring institution was charged with the responsibility of receiving and administering the funds.</p>	Resolved	
	<b>3.0 Property plant and Equipment</b>	<p>Property, plant and equipment valued at Kshs. 58,364,451 as at 30th June 2020 is based on information handed over by the mentoring institution. Arrangements are being made subject to availability of funds to undertake a comprehensive valuation of the assets so as to</p>	Not Resolved	

		<p>reflect their true value in the books.</p> <p>Efforts are being made in conjunction with the Ministry and the National Lands Commission to acquire title to the college land. Attached see the correspondences.</p> <p>Arrangements are being made subject to availability of funds to undertake a comprehensive valuation of the assets so as to reflect their true value in the books.</p>		
	<p><b>1.0 Budgetary Controls and Performance</b></p>	<p>The national government did not transfer Kshs. 4,367,500 it appropriated for the institution.</p> <p>There was also a shortfall in fee collections by</p>	Resolved	

		<p>Kshs. 7,371,376 mainly due to the closure of learning institutions in March 2020.</p> <p>Due to the reduced revenue realized, the college was not able to fund critical activities such as expansion of lecture theatres, hiring of trainers and building of workshops</p>		
	<b>1.2 Expenditure Analysis</b>	<p>Repairs and maintenance had wrongly been provided for under the use of goods and services in the budget. This has since been corrected in the subsequent budgets.</p>	Resolved	
	<b>Late Submission of Financial Statement</b>	<p>Late submission was due to oversight. We regret the breach and undertake to ensure full compliance, going forward.</p>	Resolved	

	<b>1.0 Risk Management Framework</b>	<p>The college was not able to insure its assets during the period under review due to financial constraints. We however recognize the risk and thus undertake to prioritize the issue in our future budgets.</p>	<p>Not Resolved</p>	
	<b>2.0 Human Resource Policies and Procedure</b>	<p>Management has since developed the necessary human resource management policies and procedures to guide management of its human resource</p>	<p>Resolved</p>	

***Committee observation***

1041. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

***Committee recommendation***

1042. 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 Public Finance Management Act, Cap. 412A.
1043. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.
1044. 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, Cap. 412B.

#### **3.44 OKAME TECHNICAL AND VOCATIONAL COLLEGE**

1045. Mr. Charles Vincent Marumbu, Chief Principal, accompanied by;

- iv) Mr. Odaro Moses-Accounts Assistant
- v) Mr. Dancun Kemei- Human Resource Manager

Appeared before the Committee to adduce evidence on the audited accounts of Okame Technical and Vocational College, on 14<sup>th</sup> March 2024.

The FY 2018/2019 was not dealt with as the institution did not have the necessary documents.

#### **3.45 Audited statements for Financial Year 2019/2020 (Qualified Opinion)**

##### **3.45.1 Unsupported Rendering of Services-Fees from students**

1046. The statement of financial performance as disclosed in Note 7 to the financial statements, reflects revenue from exchange transaction balance of Kshs.3,647,390 in respect of rendering of services-fees from students. However, individual student's ledger account was not maintained to monitor movements in individual student balances. There was also no evidence that official receipts were issued in respect of fees received from students.

1047. In the circumstances, the accuracy of fees from students amounting to Kshs.3,647,390 could not be confirmed.

#### **Management Response**

1048. During the year all monies received from students was deposited via the college tuition bank account and a manual receipt were issued (R.No.338-599). Due to lack of MIS system Individual student ledger accounts wasn't in place. The management has developed excel sheets to maintain the record as plans to acquire the MIS is initiated to solve the issue as raised.

***Committee observation***

1049. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

**3.45.2 Unsupported Transfer from National Government-Grants/ Gifts in Kind**

1050. The statement of financial performance reflects transfers from National Government grants/gifts in kinds balance of Kshs.4,075,000 comprising of operational grant of Kshs.1000,000 and capitation grants of kshs.3,075,000 as disclosed in Note 6(a) to the financial statement. However, no record was provided to show how the capitation grant was apportioned to individual students.

1051. In the circumstances the accuracy and completeness of the transfer from National Government-grants/gifts in kind amount of Kshs 4,075,000 could not be confirmed.

**Management Response**

1052. In the year 2019/2020 the college received capitation funds for quarter 3 and 4 FY 2018-2019 and FY 2019-2020. Apportionment lists and transfer letters were provided for verification.

***Committee observation***

1053. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

**3.45.3 Inaccuracy in Cash and Cash Equivalents**

1054. The statement of financial position and as disclosed at Note 13 to the financial statement, reflects cash and cash equivalent balances kshs.2,955,884 comprising of bank balance of Kshs.2,896,191 held in three bank accounts and cash at hand of Kshs.59,693. However, only one cash book was maintained for all the three bank accounts and it was therefore not possible to prepare bank reconciliations for each of the bank accounts. Further, the cash and

cash equivalent balance reflected in the financial statements were balances as per certificate of bank balance as at 30 June, 2020, and not as per the reconciled cash book balances.

1055. In addition, the cash and cash equivalent balance includes cash on hand balance of Kshs.59,693 which was not supported by board of survey report.

1056. Consequently, the accuracy of the cash and cash equivalents balance of Kshs.2,955,884 as at 30 June, 2020 could not be confirmed.

#### **Management Response**

1057. During the Period under review Bumbi TTI (Mentor Institution) had not yet Handed over and it maintained Tuition Account No. 1159427666. Currently management is keeping separate cashbooks of each account held. Board of Survey for the period was provided for verification.

#### **Committee observation**

1058. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

### **3.45.4 Unsupported Receivable from Exchange Transaction**

1059. The statement of financial position reflects receivables from exchange transactions of Kshs.3,462,620 being student debtors and as disclosed in Note 14 to the financial statement. However, supporting debtors' ledger, register and aging analysis were not provided. In addition, a credit policy in respect of student fees repayment/recovery was not provided.

1060. Consequently, the accuracy and validity of the receivables from exchange transactions balance of Kshs.3,462,620 could not be confirmed.

#### **Management Response**

1061. Due to low funding the management couldn't acquire proper MIS system; however, the management is developing policies and internal controls that shall guide on fees payment and recovery.

### ***Committee observation***

1062. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

### **3.45.5 Unsupported Trade and Other Payables**

1063. The statement of financial position as disclosed in Note 16 to the financial statements reflects trade and other payable from exchange transaction balance of Kshs.545,225. However, records of transactions including the ledger, supplier demand notes, were not provided for audit review. Consequently, the accuracy of the trade and other payables balance of kshs.545,225 could not be confirmed.

### **Management Response**

1064. Adequate personnel hence the lapse in maintaining proper ledgers. Movement of payables schedule is being maintained. The Ksh. 545,225 of the payables only Ksh. 250,000 was from suppliers as per the schedule.

<b>NO.</b>	<b>PAYEE</b>	<b>ITEMS OF SUPPLY/ UN PAID</b>	<b>AMOUNT</b>
1	Staff salary	Salary for the month of June	74,000
2	One by Two Supplies	Supply of 100 Trainee chairs- Supplied 60 to date	250,000
3	KATTI	Annual subscription fee for FY2018/2019/2020	90,000
4	KUCCPS	Placement fee	13,500
5	POSTA	Annual Renewal fees	7,725
6	BOG Members	BOG allowances	110,000

	<b>TOTALS</b>		<b>545,225</b>
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*Committee observation*

1065. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentations.

**3.45.6 Inaccuracy in Property, Plant and Equipment**

1066. The statement of financial position as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.689,377 which included asset additions to Kshs.375,000. However, the assets additions supporting documentation were not provided.

1067. Further, the balance excludes various equipment of undetermined value received by the college from The Ministry of Education through its mentor institution (Bumbe TTI).

1068. In addition, the assets movement schedules at Note 15 reflects depreciation amount of Kshs.66,248 while the statement of financial performance reflects Kshs.105,623 resulting in an unexplained variance of Kshs.39,375. The financial statements could not disclose the depreciation rates for each of the assets category to support how the depreciation figure of Kshs.66, 248 was arrived at.

1069. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.689,377 could not be confirmed.

**Management Response**

1070. The additions of Kshs. 375,000 comprised of 150 Trainee chairs and purchase of lawn mower as the schedule. Other assets. We concur there was non-disclosure of non-current assets in the financial report presented for auditing because most of the assets were donations from the parent Ministry (MOE) and Teso South NG-CDF through Bumbe TTI. List of assets From Bumbe TTI showing the variance of Ksh.39,375 was the depreciation brought forward from the previous year cumulating to Ksh.105,623 as reflected on PPE schedule was provided for verification.

*Committee observation*

1071. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

### ***Committee recommendation***

1072. 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 Public Finance Management Act, Cap. 412A.
1073. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act , Cap. 412A.
1074. 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, Cap. 412B.

### **3.45.7 Budgetary Control and Performance**

1075. The statement of comparison of budget in actual amounts for the year ended 30 June, 2020, reflects an approved revenue budgets of Kshs.25,944,850 and actual receipt of Kshs.7,722,290 resulting in a shortfall of Kshs.18,222,460, or 70% of the budgeted receipts. Similarly, the College actual expenses amounting to Kshs.5,008,291 against the budgeted expenditure of Kshs.25,944,850 resulting to budget under-absorption of Kshs.936,559 or 81% of the budget.
1076. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

1077. During the year the management managed to enroll 399 trainees against 500 projected in the budget
1078. Due to early closure of the College because of COVID -19 pandemic the college could not receive further payments from trainees, this also caused low collection of revenue budgeted for. Further, the Ministry of Education through KUCCPS funded only two quarters only over the fiscal year as recorded in the financial statements. Non-funding by MOE caused the college not to implement the budget as planned.
1079. In order to avoid overspending, the management was keen by spending with relation to revenues received over the year.

***Committee observation***

1080. The Committee observed that late or non-receipt of exchequer impacted budgetary performance negatively.

***Committee recommendation***

1081. The Committee recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.

1082. The Committee recommends further that the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

1083. The Committee equally directs the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenue.

**3.45.8 Late Submission of Financial Statements**

1084. The financial statements for the year ended 30 June 2020 were submitted 16 April, 2021 seven months after the statutory deadline of 30 September, 2020. This is contrary to Section 47 (1) of the Public Audit Act, Cap. 412B which states that the financial required under the Constitution the Public Finance Management Act, Cap. 412A 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.

1085. In the circumstances the management breached the law.

**Management Response**

1086. The college had only one personnel in the accounts department causing delay in preparation of Financial Statements and submission.

1087. Currently the accounts department has an additional staff that the Board of Governors recruited by January 2021. The management shall henceforth adhere by the regulation governing submission of financial reports.

***Committee observation***

1088. The Committee observed that the institution did not provide the necessary documentation on time.

### ***Committee recommendation***

1089. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(k) of the Public Finance Management Act, Cap. 412A and Section 13 of the Public Audit Act, Cap. 412B by providing supportive documentation on time.

### **3.45.9 Confirmation of Assets and Liabilities Between Bumbwe Technical Training and Okame Technical and Vocational College**

1090. As previously reported, The Bumbwe Technical Training Institute acted as a mentor institution for Okame Technical and Vocational College. The government through the Ministry of Education channeled funds to Bumbwe Technical Training Institute for putting up of the administration office and classrooms block at Okame Technical and Vocational College in addition to providing equipment and furniture.

1091. However as at the time of audit in April, 2021 there was no documentary evidence of handing over and taking over prepared by the two institutions to confirm the assets and any liabilities that were handed over by Bumbwe TTI and taken over by Okame Technical and Vocational College contrary to the Regulation 141 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that when assets or liability of a government entity shall be required to identify an inventory of such assets and liabilities and both the Accounting Officer for the receiving National Government entity or other institution shall sign the inventory when transfer takes place.

1092. Consequently, the management of the two institutions breached the law.

### **Management Response**

1093. During the period of Audit. Handing Over/Taking over had not been initiated. The management has conducted a handing over exercise.

### ***Committee observation***

1094. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.45.10 Lack of Policy Documents**

1095. During the year under review, the College operated without the code of conduct for the employees, the human resource manual documents, risk management policy, disaster

recovery plan or business continuity plan, a debt management policy and there was no audit committee to oversee to oversee the operational risk and to design mitigation measures in the college.

1096. Further the college did not have an internal audit department to review and budgetary performance financial management, transparency and accountability mechanisms and processes in the College and give reasonable assurance through the audit committee on the state of risk management, control and governance within the organization and review effectiveness of financial and non-financial performance management systems of the entities.

1097. Consequently, the College prerequisite systems of internal control to protect the assets of the college.

#### **Management Response**

1098. During the year under Audit, there was no adequate staff to develop the required policies and procedures. Currently the management has since developed several policies including Human Resource Policy, Risk Management Policy and Code of Conduct for effective non-financial

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

1099. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

#### **3.45.11 Lack of Board Charter**

1100. During the year under review, the college board operated without a charter contrary Mwongozo regulations on code of governance for state corporations requires that the Board of Directors should develop and adopt a Board Charter which defines the roles, responsibility and functions of the Board and the Board should periodically review its Board Charter.

1101. Consequently, the board may not be able to execute its mandate as required.

#### **Management Response**

1102. Currently, the management has developed and adopted Board Charter as per Mwongozo code of governance.

### ***Committee observation***

1103. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

## **3.46 Audited statements for Financial Year 2020/2021 (Qualified Opinion)**

### **3.46.1 Inaccuracies in Cash and Cash Equivalent Balance**

1104. The statement of financial position reflects cash and cash equivalents balance of Kshs.1,525,404. However, Note 14 to the financial statements, reflects a balance of Kshs.1,525,384 being the total of three bank account balances of Kshs.1,035,200, Kshs.104,335 and Kshs.192,713 and cash in hand balance of Kshs.193,136. Several unsatisfactory matters on the cash and cash equivalents were noted as indicated below.

- (i) The bank statements, cashbook and the bank reconciliation statement for development bank account were not provided for audit review.
- (ii) The operation and tuition cash books presented for audit were not updated and bank reconciliation statements for the two accounts were not provided.
- (iii) Bank statement balances were used to calculate the cash and cash equivalents balances instead of reconciled cash book balances.

1105. In the circumstances, accuracy and completeness of the cash and cash equivalents balance of Kshs.1,525,404 as at 30 June, 2021, could not be confirmed.

### **Management Response**

1106. During the Period under review Bumbé TTI (Mentor Institution) had not yet Handed over and it maintained Development Account. Currently all accounts operated by the management are reconciled and bank statements collected from the Bank.

### ***Committee observation***

1107. The Committee observed that the issue had been discussed earlier and reiterates its recommendations.

### **3.46.2 Inaccuracies in Comparative Balances**

1108. The financial statements for the year ended 30 June, 2021, reflects comparative balances which are variance with closing balances reflected in the audited financial statements for the year ended 30 June, 2020 as shown below

<b>Component</b>	<b>Comparative Balance 2020/2021(Kshs)</b>	<b>Audited Balances 2019/2020(Kshs.)</b>	<b>Variance (Kshs)</b>
Retained earning	2,983,476	6,303,111	3,319,635
Total Funds	3,778,476	6,303,111	2,524,635

1109. The adjustments have not been supported by notes indicating details of the changes in the circumstances the accuracy of the reported balance could therefore not be confirmed.

**Management Response**

1110. This was an oversight and has since been updated and revised in the financial report.

**Committee observation**

1111. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

**3.46.3 Un-Reconciled Employee Costs**

1112. The statement of financial performance and Note 9 to the financial statements reflects the employee cost balance of Kshs.2,483,642. However, the payroll reflects an amount of kshs.3,074,704 resulting in an unreconciled variance of Kshs.591,062.

1113. In the circumstances, the occurrence of employee cost of Kshs.2,483,642 could not be confirmed

**Management Response**

1114. This was an Oversight. The variance in employee costs was the number of Personal Emoluments for the month of June 2021 as indicated in the List of creditors.

### ***Committee observation***

1115. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

### **3.46.4 Budgetary Control and Performance**

1116. The statement of comparative budget actual amounts reflects final receipts budget and actual on comparable basis of Kshs.39,060,625 and Kshs.14,112,835 respectively resulting to under-funding of Kshs.24,947,790 or 64% of the budget. The college expenditure was limited to the amount released. Further, the college incurred an expenditure of kshs.11,540,158 against the final approved budget of Kshs.39,060,625 resulting to under-expenditure 27,520,467 or 70% of the budget.

1117. The underfunding and expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

1118. The reason as to why the revenue projections underperformed is because the fiscal year under review (FY2020-2021) was affected by Covid-19 hence there were no learning activities and students on session to whom we consider as our customers. The government did not also transfer capitation for quarter four.

### ***Committee observation***

1119. The Committee observed that the issue had been discussed earlier and the committee reiterates its recommendations.

### **3.46.5 Unresolved Prior Year Matters**

1120. Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress and follow-up of auditors' recommendations sections of the financial statements as required by the Public Sector Accounting Standards Board.

#### **Management Response**

1121. This was an oversight going forward this shall be implemented by the management.

***Committee observation***

1122. The Committee observed that the issue had been discussed earlier and the committee reiterates its recommendations.

**3.46.6 Failure to Deduct and Remit Statutory Dues to NSSF and NHIF**

1123. The statement of financial performance and Note 9 to the financial statement reflects employee cost balance of Kshs.2,483,642. Review of the payroll and personnel records revealed that the management did not deduct and remit contributions to the National Social Security Fund and National hospital Insurance Fund for the month of July to December, 2020, and January and February 2021. This contravenes the provision of Section 20(1) of the NSSF Act, Cap. 205 and Section 16((1) of the NHIF Act, Cap. 255 which require the employer to deduct and remit NSSF and NHIF contributions to the two organizations.

**Management Response**

1124. During the year under review, the Colleges' Internal controls and checks had not been enhanced to guide according on how to deduct and remit the statutory deductions. The BOG approved statutory deductions on employee salaries as from March 2021 after review of salaries and wages for staff.

***Committee observation***

1125. The Committee observed that the institution did not provide the necessary documentations within the stipulated timelines as was directed by the Committee.

***Committee recommendation***

1126. 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 Public Finance Management Act, Cap. 412A.

1127. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act Cap. 412A.

1128. 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, Cap. 412B.

### **3.46.7 Audit and Risk Committee**

1129. Review of records and operations of the entity revealed that the Audit and Risk Committee did not have an Audit Charter to spell out the scope and responsibilities of the Committee.

The committee did not also have an annual work plan.

1130. In the circumstance, the effectiveness of the Committee could not be confirmed.

#### **Management Response**

1131. The Management has developed a full Audit and Risk Committee.

#### **Committee observation**

1132. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### **3.46.8 Lack of Approved Human Resource Policy Documents**

1133. Review of personnel records and documents revealed that the College does not have Human Resource Department and an officer trained and experience in human resources management. Further, there were no human resource policy documents to guide in the staff establishment, Job descriptions, Key competences, qualifications required, terms of service, career progression, training and development contrary to Section C.2(1) of the Human Resource Policies and procedures Manual for the Public Service, 2016.

#### **Management Response**

1134. The management has made the necessary plans by employing a qualified Human Resource Officer and developed a Human Resource Policy that has been Approved by the B.O.G to address the issue raised by the auditors.

#### **Committee observation**

1135. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documents.

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

#### **3.47.1 Statement of financial position**

1136. The statement of financial position reflects Kshs.953,640 and nil balances in respect of trade and other payables from exchange transactions and refundable deposits from customers respectively, which are at variance with the balances of Kshs.570,000 and Kshs.383,640 reflected in Notes 17 and 18 to the financial statements respectively resulting to variances of Kshs.383,640 on each component. The statement also reflects a balance Kshs.1,850,524 in respect of reserves which is at variance with the balance of Kshs.2,796,540 reflected in the statement changes in net assets resulting to an unexplained and un-reconciled variance of Kshs.946,016.

1137. In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

#### **Management Response**

1138. The Variance of Kshs.383,640 is the total accrued value for caution money (Refundable deposits) as highlighted in note 18 of the Financial Statements this was treated as a liability in addition to trade and other payables of Ksh.570,000 totalling to Kshs. 953,640.

#### **Committee observation**

1139. The Committee observed that the variance reported by the Auditor General was as a result of negligence from the Accounting Officer thus the Accounting Officer is reprimanded for failure to uphold to the requirements of the law.

#### **3.47.2 Statement of Cash Flows**

1140. The statement of cashflows reflects cash and cash equivalents balance of Kshs.3,126,914 which include a brought forward balance from the previous year of Kshs.2,955,884. However, the brought forward balance of Kshs.2,955,884 is at variance with the closing balance of Kshs.1,525,404 shown in the audited financial statement for the year ended 30<sup>th</sup> June 2021. The variance of Kshs.1,430,480 has been explained or reconciled.

1141. In the circumstances, the accuracy and the completeness of the cash and cash equivalents balance of Kshs.3,126,914 shown in the statement of cash flow could not be confirmed.

### Management Response

1142. This was an oversight for capturing 2020 instead of 2021 in the cash flow statement. This has been updated and reconciled as follows;

	FY 2021/20222	FY 2020/2021	
<b>Net increase/decrease in cash and cash equivalents</b>	<b>1,601,510</b>	<b>-1,30,480</b>	
Cash and cash equivalents at 1 <sup>st</sup> July 2021	1,525,404	2,955,884	Cash as at 2020
<b>Cash and cash equivalents as at 30<sup>th</sup> June 2022.</b>	<b>3,126,914</b>	<b>1,525,404</b>	<b>Variance</b>

### Committee observation

1143. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

### 3.47.3 Inaccurate Property, Plant and Equipment Balance

1144. The statement of financial position reflects plant, property and equipment balance of Kshs.2,862,872 as disclosed in Note 16 to the financial statements which includes nil balances in respect of buildings, biological assets and motor vehicles. However, review of the assets register provided for audit review indicated that balances of Kshs.65,112,000, Kshs.3,000,000 and Kshs.5,099,000 in respect of buildings, biological assets and a college bus respectively, not been included in the financial statements.

1145. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,862,872 could not be confirmed.

### **Management Response**

1146. The management is in the process to undertake an external valuation to get all appropriate and reasonable costings for all assets so that we amend our financial statements to reflect true and fair values of property plant and equipment.

### **Committee observation**

1147. The Committee observed that the valuation had not been done due to financial constraints.

### **Committee recommendation**

1148. The Committee equally directs the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenues.

### **3.47.4 Budgetary Control and Performance**

1149. The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.57,989,000 and Kshs.34,739,163 respectively, resulting to underfunding of Kshs.23,249,837 or 40% of the budget similarly, the statement reflects actual expenditure of Kshs.22,685,381 against approved budget of Kshs.57,989,000 resulting to under-performance of Kshs.35,303,619 or 61% of the budget.

1150. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

1151. The reason as to why the income and expenditure projections underperformed is because the college did not receive quarter Four capitation and 554 trainees were not funded during FY2021/2022. Further the college did not receive fees from trainees (whom considered as customers) amounting to Ksh.15,882,950. This has been since addressed by encouraging all trainees to enroll on HELB as the college caters all application processes and submission.

<b>QTR</b>	<b>Amount Disbursed in Kshs.</b>	<b>Total Enrolment (Verified from Admission Book and class attendance Register)</b>	<b>No. of Trainees Validated by KUCCPS</b>
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1	4,395,000	776	586
2	4,395,000	776	586
3	4,050,000	714	540

***Committee observation***

1152. The Committee observed that the issue had been discussed earlier and reiterates its recommendations.

**3.47.5 Unresolved Prior Year Matters**

1153. In the audit of the previous year, several issues were raised. However, management has not resolved the issues or provided reasons for the delay in resolving them. Further, the unresolved prior year issues are not disclosed under the progress on follow-ups of auditor’s recommendations section of the financial statement as required by the Public Sector Accounting Standard Board reporting template.

**Management Response**

1154. This was an oversight going forward this shall be implemented by the management.

***Committee observation***

1155. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified regularization.

**3.47.6 Lack of Approved Staff Establishment**

1156. The statement of financial performance and as disclosed in Note 9 to the financial statement reflects an amount of Kshs.7,059,147 respect of employee costs. However, review of the human resource records revealed that the College did not have an approved staff establishment. This was contrary to the Ministry of Education State Department of Vocational and Technical Education Circular Ref No. MST/DTE/1/1 dated 12 July, 2019 on staff establishment which requires the Technical Training Institutions to develop a staff establishment with clear justifications for consideration and approval by the Public Service Commission.

1157. In the circumstances, the management was in the breach of the circular.

### **Management Response**

1158. The management has made the necessary plans by employing a qualified Human Resource Officer and developed Staff Establishment Guideline that has been Approved by the B.O.G to address the issue raised by the auditors.

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

1159. The Committee observed that the institution did not provide the necessary documentation within the stipulated timelines as was directed by the Committee.

#### ***Committee recommendation***

1160. 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 Public Finance Management Act, Cap. 412A.

1161. The Committee recommends that the Accounting Officer must at all times ensure that he/she prepares and keeps proper accounting records in line with the provisions of Section 68 (2) (b) of the Public Finance Management Act, Cap. 412A.

1162. The Committee recommends that 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, Cap. 412B.

### **3.48 BUNGOMA NORTH TECHNICAL VOCATIONAL COLLEGE**

1163. Mr. Charles Opiyo, The Principal, accompanied by;

- i) Mr. Juma Benjamin- Finance Officer
- ii) Mr. Walter Migori- Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Bungoma North Technical Vocational College, on 14<sup>th</sup> March 2024.

### **3.49 Audited Financial statements for financial year 2018/2019 (Qualified Opinion)**

#### **3.49.1 Un-Supported Cash at Hand**

1164. The statement of financial performance reflects cash and cash equivalents balance of kshs.2,903,625 as disclosed in Note 16. This balance includes cash at hand balance of kshs.28,057 which was not supported by a Board of survey Certificate.

1165. In the circumstances, the accuracy of the cash at hand balance of kshs, 28,057 could not be confirmed.

#### **Management Response**

1166. We are in agreement with the audit finding, but since this was our first Financial Audit, personnel in the account's office were not aware that they had to carry out a board of survey (F.Y 2020/2021) But for the year under review, the Board of survey was carried out, and it shall remain a routine.

#### **Committee observation**

1167. The Committee observed that the issue has been resolved as the Auditor General was satisfied with the regularization made with the financial statements.

### **3.49.2 Unsupported Students Fees**

1168. The statement of financial performance reflects rendering of services-fees from students of Kshs. 29,527,857 as disclosed in Note 7A. However, supporting schedules for fees from students were not provided for audit.

#### **Management Response**

1169. It was noted by Board of Governors that the office of the registrars didn't have proper records on student debtors. In this case, the Board of Governors in the process of procuring an ERP system that will streamline this issue once and for all. However, we have an excel sheet that was in use with the students' fees balances.

#### **Committee observation**

1170. The Committee observed that the issue has been resolved as the Auditor General was satisfied having verified the institution's financial statements.

### **3.49.3 Unrecognized Donated Tractors**

1171. The statement of financial position reflects property, plant and equipment balance of kshs.175,813,610 as disclosed in Note 19. The balance excludes the undetermined value of five (5) donated tractors. In addition, these tractors have not been registered in the name of the college.

1172. In the circumstances, the completeness of property, plant and equipment balance of Kshs. 175,813,610 could not be confirmed.

#### **Management Response**

1173. The issue of tractor ownership has been forwarded to the Ministry on several occasions, but what was issued to the college is a letter just confirming that the machines were issued to the college, nothing more to support.

1174. The college management has received communication to collect registration numbers of the tractors and ownership documents in the month of March 2024

#### **Committee Observation**

1175. The Committee through the Auditor General was able to verify the communication from the Ministry having delivered documentation for only one of the tractors.

#### **Committee Recommendation**

1176. The Committee recommends that the institution follows up with the Ministry to ensure issuance of all the documentations for the remaining tractors within three months upon adoption of this report by the House.

### **3.49.4 Budget Control and Performance**

1177. The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts reflects final receipts budget and actual on comparable basis of kshs.34,252,000 and kshs.9,295,004 respectively college resulting to an under-funding of kshs.24,956,996 or 73% of the budget of kshs.34,252,000 resulting to an under-expenditure of kshs.24,144,389 or 70% of the budget. Further, the approved budget was not provided for audit.

1178. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Response**

1179. It was discussed during the Board meeting and resolved that, since the college was just starting, we projected to receive a large number of students, but at the end, the college

admitted just a few. The variance shown in the college budget is realistic and has been amended and approved by the Board of governors and stamped by various ministries.

***Committee observation***

1180. The Committee observed that late or non-receipt of exchequer impacted budgetary performance negatively.

***Committee recommendation***

1181. The Committee recommends that the Accounting Officer must ensure compliance with Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which requires the accounting officer to ensure that expenditures align with the approved budget.

1182. The Committee further recommends that the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

1183. The Committee equally directs that the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenues.

**3.49.5 Lack of Hand-over Reports**

1184. The Ministry of Education appointed Matili Technical and Training College to mentor Bungoma North Technical College and hand over all assets and liabilities upon completion of the mentorship period. However, no handing over report was provided for audit verification.

1185. In the circumstances, the assets and liabilities taken over by Bungoma North Technical and Vocational College could not be confirmed.

**Management Response**

1186. The Principal took initiative and personally went to mentor institution (Matili TTI and was given a hand-over report which was not comprehensive on our side. It is the Boards wish that the Ministry of Education state depart of TVET to make a follow up with Matili TTI so that we get a comprehensive hand-over report, land title deed, registration numbers & log books.

### ***Committee Observation***

1187. The Committee observed the efforts made by the institution to acquire the documentation which were, however, not fruitful.

### ***Committee Recommendation***

1188. The Committee recommends that Matili TTI procedurally hands over all documentations to Bungoma North Technical and Vocational College as required within three months upon adoption of this report by the House.

#### **3.49.6 Lack of Approved Staff Establishment**

1189. Review of human resource records revealed that the college operated without an approved staff establishment. Therefore, the college has not determined its optimal staffing levels for effective operations.

1190. In the circumstances, the adequacy of the college staff could not be confirmed.

### **Management Response**

1191. We are in the process of coming up with policies for the college, so far, we can report that we have the following in place.

- i. Organization structure
- ii. Finance Policy
- iii. human resource policy
- iv. Staff establishment.

### ***Committee observation***

1192. The Committee observed that the issue has been resolved as the Auditor General was satisfied having verified the institution's documentation and regularization.

#### **3.49.7 Lack of Risk Management Policy**

1193. The 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 Regulations 165(1) of the public Finance Management (National Government) Regulations, 2015, which provides that an Accounting Officer of a Government Entity should develop risk management strategies which include fraud

prevention mechanism, and a system of risk management and internal control that builds robust business operations .In addition, business continuity and disasters recovery PLAN have not been Put in place .

1194. In the circumstances, the effectiveness of the college risk management could not be confirmed.

#### **Management Response**

1195. On the issue of risk management policy, the principal tasked a committee to work on the document; it was presented to the board for approval.

#### **Committee observation**

1196. The Committee observed that the issue has been resolved as the Auditor General was satisfied having verified the institution's documentation and regularization.

### **3.50 BUNGOMA NATIONAL POLYTECHNIC**

1197. Ms Rosebella Chukwa- The Chief Principal, accompanied by;

- i. CPA Penina Munyekenye- Finance Officer
- ii. Mr. Arnold Soita- Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Bungoma National Polytechnic, on 24<sup>th</sup> April 2024.

### **3.51 Audited statements for financial year 2018/2019- Qualified Opinion**

#### **3.51.1 Revenue From Non-Exchange Transaction**

1198. Reported under revenue from non-exchange transactions in the statement of financial performance, is a figure Kshs. 83,670,000 in respect of capitation grants from the national government.

1199. However, the statement of cash flow reflects a figure of Kshs 41,835,000 resulting in a variance of Kshs 41,835,000. recognizing an asset from non-exchange transaction before the entity gains control of the asset is against the provisions of IPSAS 23 paragraph 29

#### **Management Response**

1200. The management is in agreement that by the time of audit had accrued revenue from non-exchange transaction hoping that they will receive funds from the Ministry, they have since

amended the financial statement and adopted the correct reporting as per the financial statement 2021/2022 where we recognized correct accounting standard in line with IPSAS

***Committee observation***

1201. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

***Committee recommendation***

1202. The Committee further recommends that the accounting officer must ensure compliance with Regulation 43(a) of the Public Finance Management (National Government) Regulations, 2015 on ascertaining the correctness of the financial statements before signing them.

**3.51.2 Property, Plant and Equipment**

1203. The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.920, 458,545. However, and the figures was not supported by a credible valuation report or any other supporting document on how it was arrived at. Failure to make necessary disclosures in the financial statements is contrary to the provisions of IPSAS 17.

**Management Response**

1204. The management is in agreement with audit observations and hence engaged GEOPLAN CONSULTANTS to value the assets and received a valuation report dated 11th January 2024. The valuation report will be incorporated in the financial statement 2023/2024.

***Committee observation***

1205. The committee observed that the matter is resolved as the verified valuation report and valuation contract were provided.

**3.51.3 Depreciation and Amortization Expense**

1206. Reported under depreciation and amortization expense in the statement of financial performance and in Note 15 to the financial statement is a balance of Kshs 15, 063, 598. However, Note 23 to the financial statements under property plant and equipment has a depreciation charge of Kshs 23,835,598 whereas Note 24 on intangible assets has a balance of Kshs 1,450,000 for amortization charge for the year, resulting in a combined sum of Kshs 25,285,598 under depreciation and amortization.

1207. The variance between the reported figure in the statement of financial performance and the Note 23 and Note 24 combined of Kshs 10,222,000 was not explained or reconciled.

**Management Response**

1208. The management is in agreement with the audit observation and amended the financial statement and also adopted the same in the subsequent audited financial statement 2021-2022.

**Committee observation**

1209. The Committee observed that the matter is resolved as the verified amended financial statement was provided. This was however done outside the audit timelines.

**3.51.4 Misstatement of Employee Costs**

1210. The statement of financial performance and Note 13 to the financial statement reflects employee costs balance of Kshs. 47,672,485. Including in this amount is an expenditure of Ks. 3,750,000 on security expenses. This expenditure was a misclassification considering that security expenditure should not be part of employee costs.

**Management Response**

1211. The Management is in agreement with the audit observation and attached a corrected note. Previously the security personnel were under employees of the institute but has now been separated and security expenditure is treated separately and the error has since been corrected in the subsequent audited period of 2021-2022 FY

**Committee observation**

1212. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

**3.51.5 Misstatement of Employee Costs**

1213. The statement of financial performance and Note 13 to the financial statement reflects employee costs balance of Kshs. 47,672,485. Including in this amount is an expenditure of Ks. 3,750,000 on security expenses. This expenditure was a misclassification considering that security expenditure should not be part of employee costs.

**Management Response**

1214. The Management is in agreement with the audit observation and attached a corrected note. Previously the security personnel were under employees of the institute but has now been

separated and security expenditure is treated separately and the error has since been corrected in the subsequent audited period of 2021-2022 FY

***Committee observation***

1215. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

***Committee recommendation***

1216. The Committee recommends that the accounting officer must ensure compliance with Regulation 43(a) of the Public Finance Management (National Government) Regulations, 2015 on ascertaining the correctness of the financial statements before signing them.

**3.51.6 Non-disclosure of Biological Assets**

1217. A review of records provided for audit revealed that the Institute has a farm which produces both crop and animal yields which were not valued and incorporated in the financial statements under review, contrary to provisions of IPSAS 27 which outlines the accounting treatment for agriculture activity, the biological transformation and harvest of biological assets and conversion into agriculture produce.

**Management Response**

1218. The Management is in agreement with the audit observation and hence engaged GEOPLAN CONSULTANTS LTD to value all the assets owned by the institute including biological assets where the valuer did not include biological assets in valuation report.

***Committee observation***

1219. The Committee observed that the matter is resolved as management provided evidence to indicate the action of involvement of a consultant to address the omission that was noted of the non-disclosure of biological assets in the financial statements.

**3.51.7 Budgetary Control and Performance**

***i. Failure to Meet Budget Targets***

1220. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs. 249,404,610,315 respectively resulting to an under-funding of Kshs. 28,845,295 or 12% of the budget. Similarly, the Institute expended Kshs. 225,087,735 against an approved budget of Kshs. 247,871,250 resulting to an under-

expenditure of Kshs. 22,783,515 or 9% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

1221. In addition, it was established that the Institute had an approved revenue budget of Kshs. 339,404,610 which varies with the figure captured in the statement of comparison of budget and actual amounts of Kshs. 210,101,610 by a variance of Kshs. 90,000,000.

**Management response**

1222. The management is in agreement with the observation and has corrected the budgetary comparison figures in the financial statement and in subsequent financial statements as evidenced in the 2021-2022 financial year which has a balanced budgetary comparison for income and expenditure budgets

1223. The issue of under-expenditure was 91% so it was above the set limit of +-10% allowable so we are in agreement. However, Management has not addressed the issue of underfunding since no explanation or justifiable documentation

**Committee observation**

1224. The Committee observed that the matter is resolved as the verified amended financial statement with the corrected amounts was provided.

**ii. Spending on Unbudgeted Items**

1225. The Institute incurred a total of Kshs. 5,301,962 on unbudgeted items illustrated below. No explanation was provided for spending outside the budget.

<b>Audit Components</b>	<b>Current Year Final Budget (Kshs.)</b>	<b>Actual Expenditure Figures (Kshs.)</b>
<b>Revenue</b>		
Clothing Textile Department	0	278,560
Hospitality Department	0	1,854,263
Electrical/Electronics Department	0	678,451
Agriculture Department	0	489,573
Applied Science Department	0	328,415

Automotive Department	0	578,920
Registration	0	1,093,780
<b>Total</b>	<b>0</b>	<b>5,301,962</b>

1226. Expenditure on unbudgeted items may result in failure to meet the planned and approved programmes for the year.

**Management Response**

1227. The management is in agreement with the audit observation and has ensured that no expenditure is incurred outside budgetary allocations as evidenced in the subsequent audited financial year 2022.

**Committee observation**

1228. The Committee observed that the institution violated the law, as the reallocation of funds must follow the proper procedure. The provided documents showed that the institution complied in the following year, 2021/2022, and no funds were lost. However, the intended items for which the funds were allocated were not implemented.

**Committee recommendation**

1229. The Committee reprimands the officer that failed to seek approvals.

1230. The Committee further recommends that the accounting officer must at all times ensure compliance with section 162(2) of the Public Finance Management Act , Cap. 412A which seeks to on ensure that resources are used in a way that is: effective, efficient, economical and transparent

**3.51.8 Non-compliance with the One-Third Salary Rule**

1231. A review of the payroll revealed that the institution made deductions from employees exceeding two-thirds of their basic salary which is against the provisions of Section 19(3) of the Employment Act.

**Management Response**

1232. The management is in agreement with the audit observation that by the time of audit, the third rule was not effected by the management but currently, the management has made efforts to ensure that the staff maintains the a third of the salary on the payroll.

***Committee observation***

1233. The Committee observed that the matter is resolved as the verified extract of the payroll showing compliance was provided.

**3.51.9 Inventory Control**

1234. During the year under review, the management of the Institute conducted an annual stock take only instead of quarterly stock-taking in contravention of Section 162(2) of the Public Procurement and Asset Disposal Act, Cap. 412C.

**Management Response**

1235. The management is in agreement that the stock-taking was done annually by the time of the audit, but current stock-taking is done quarterly as per the Public Procurement and Disposal Act, Cap. 412C.

***Committee observation***

1236. The Committee observed that the matter is resolved as evidenced by current quarterly stock takes for 2024 and appointment letters for the stock take the team.

**3.51.10 Weakness in Human Resource Management**

1237. The institution had material gaps in its Human Resource Management System as indicated below.

- i. The Institute did not maintain a staff establishment showing details of staff positions available, filled positions, vacant positions and a record of staff recruitments and/or exits.
- ii. The Institute developed a Policy and Procedures manual in 2016 and a staff Code of Conduct and Ethics in 2012 both of which have been approved by the Board.
- iii. It was also noted that staff payrolls lacked basic employee details such as date of birth, appointment date, personal number, tax PIN, gender, marital status, ethnic background, Home County, job designation and job group, date of retirement and incremental month.
- iv. The Institute maintained a separate for the town campus even though it is not an autonomous entity. The Institute has also not filled the position of a Human Resource Officer since 2015.

### **Management Response**

1238. The management is in agreement with the audit observation. By the time of audit for the year in question, there was no human resource officer, however. In the subsequent year the office was established and human resource officer was appointed and the following were implemented according to human resource procedures.

- i. An approved staff establishment record
- ii. Approved human resource policy and procedure manual
- iii. Approved code of conduct and ethics for staff
- iv. Harmonization of staff payrolls has been done

### ***Committee observation***

1239. The Committee observed that the matter is resolved as the following documents were provided; approved staff establishment records, approved human resource policy and procedure manual, Approved code of conduct and ethics for staff, Staff establishment, Human Resource Policy, Approved Code of Conduct and evidence of harmonization of staff payrolls

### **3.51.11 Irregularities In Discharging Board Mandate**

1240. During the financial year under review, the Board of Governors held meetings categorized as full board, special full board and committee meetings. However, the following anomalies were noted:

- i. The Board had no annual Board work plan to guide its activities during the period under review, neither did it have a charter.
- ii. The Board did not carry out an annual evaluation of its performance at the end of the period as required did by Mwongozo guidelines.
- iii. The Board operated without a formal and transparent remuneration policy for board members during the year under review.

1241. Lack of this policy guidelines means that the board may not have been able to assess its overall performance, work within its predetermined objectives and also remunerate board members fairly which is against the requirements of Mwongozo code for state corporations

### **Management Response**

1242. The management is in agreement with the audit observation that by the time of audit the new board did not have a board charter, annual work plan, and remuneration policy for board members because it had just assumed office in the year 2020. The management has since put in place all the requisite processes and made available the board charter, annual work plan, and remuneration policy.

***Committee observation***

1243. The Committee observed that the matter is resolved as the approved Board annual work plan, Board Charter and minutes on remuneration were provided.

**3.52 Audited statements for financial year 2019/2020- Qualified Opinion**

**3.52.1 Errors in Presentation of Financial Statement**

1244. The statement of comparison of budget and actual amount reflected revenue and expenditure items instead of class of transactions as prescribed by the Public Sector Accounting Standard Board. Further, review of the statement revealed receipts and expenditure of Kshs 350,188,000 and Kshs. 334,711,924, respectively, resulting to unbalanced budget of kshs.15, 476,076.

**Management Response**

1245. The management is in agreement with the audit observation that it has corrected the error of unbalanced budget presentation in the financial statement and in subsequent financial reports.

***Committee observation***

1246. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

**3.52.2 Inaccuracies in the statement of cash flow**

1247. The statement of cash flows reflects Kshs. 60,704,041 in respect to net cash flows from operating activities and nil balance on net cash flows from financing activities respectively. However, review of the financial statements reflects the following balances that were not included in the statement of cash flows

**Management response**

1248. The management is in agreement with the audit observation and the error in the cash flow statement was corrected as shown in the financial statement abstract and in the subsequent audited financial report statement 2021-2022 FY.

*Committee observation*

1249. The Committee observed that the matter is resolved as the verified amended financial statement with the corrected amounts was provided.

**3.52.3 Non-Disclosure of Biological Assets**

1250. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.52.4 Variances in Depreciation and Amortization**

1251. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.52.5 Budgetary control and performance**

1252. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

**3.52.6 Partial implementation of ERP**

1253. The institute procured an ERP system in the year 2014 at a contracted price of kshs.5,800,000. However, the contract price had been varied upwards by 22% to kshs.7,053,564 with kshs.4,553,564 being paid during the year under review towards the project.

1254. However, it was noted that the procurement module of the system has not been enabled for several years after the project was procured.

**Management Response**

1255. The management is in agreement with the audit observation, it has however implemented the procurement module as evidenced by a sample of system-generated local purchase orders, Goods receipts notes, and service order requisition internal requisitions. Upgrade was done after a period of 6 years from 2014 to 2020 which explained the variation in contract prices.

*Committee observation*

1256. The Committee observed that the matter is resolved as management did upgrade the system after 6 years but this was not a variation. Further, output documents for procurement like LPO and GRN which are system generated were provided as proof of the system functionality.

**3.52.7 Non-Remission of Employee Gratuity**

1257. A review of the Human Resource records revealed that a total of kshs.8, 994,049 in respect of employees' gratuity deduction up to 30 September, 2019 was still being held in the institute's account pending migration to the staff retirement benefit scheme. However, money has not been transferred to the respective staff benefits accounts nor disclosed as accounts payable in the financial statements for the year under review.

#### **Management Response**

1258. The management is in agreement with the audit observation; the institute has paid some of the retirees their dues upon retiring amounting to Kshs. 1,680,165. The balance of Kshs. 7,313,884 has been disclosed in the audited financial statement f/y 2021-2022 note 24

#### **Committee observation**

1259. The Committee observed that the matter is resolved as the verified extract of the financial statement for 2022 showing disclosure was provided.

1260. The Committee noted that the institution had determined the amounts to be paid and had only remitted payments for six (6) out of thirty-six (36) employees.

#### **Committee recommendation**

1261. The Committee recommends that the Accounting Officer ensures that the unsettled amounts are remitted within three (3) months of adoption of this report by the National Assembly and that going forward, the institution must always comply with Section 53A (1) of the Retirement Benefit Act ,Cap. 197 which states that, where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

#### **3.52.8 Irregularities in Discharging the Board's Mandate**

1262. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

#### **3.52.9 Weaknesses in Human Resource Management**

1263. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.52.10 Lack of Quarterly Stock.**

1264. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

## **3.53 Audited statements for financial year 2020/2021- Qualified Opinion**

### **3.53.1 General Expenses- Unsupported Allowances**

1265. The general expense balance includes local travel and transport totaling to Kshs 7,185,330 which in turn includes Kshs 227,910 paid as allowance to various staff of the institute reportedly for the successful delivery of various programs of the institute. The payment was based on a percentage of examination office income for the year 2020(January –December) which according to the institute is an income-generating activity.

1266. However, there were no policy guidelines or any circular from the board or management authorizing payment of the allowances to the staff.

#### **Management Response**

1267. The management is in agreement with the fact that allowances were made to examination offices however it was part of transport reimbursement during exams administration where officers worked until late hours, the same payment was made from Centre fees and examination photos income collected.

#### **Committee observation**

1268. The Committee observed that the matter is resolved as the verified documentation of approved minutes and payments was provided.

### **3.53.2 Unsupported Miscellaneous Expenses**

1269. Expenditure records further indicated that payments totaling to Kshs. 9,733,645 were made for farm expenses, motor vehicle maintenance medical expenses and security services and charged to the general expenses account in the year under review.

1270. However, the respective procurement documents such as contracts, requisitions, advertisements, tenders or quotations, evaluation reports and minutes, delivery notes, stores records and vouchers were not provided for the audit review.

#### **Management Response**

1271. The management is in agreement with the findings on to the issue of unsupported miscellaneous expenses. However, the appropriate documentation has been attached

***Committee observation***

1272. The Committee observed that the matter is resolved as the verified procurement documents such as contracts, requisitions, advertisements, tenders or quotations, evaluation reports and minutes, delivery notes, store records and vouchers were provided.

**3.53.3 Unreconciled cash and cash equivalents.**

1273. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.53.4 Property, Plant & Equipment**

1274. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.53.5 Inaccuracies in Revaluation Reserve**

1275. The statement of changes in equity reflects an adjustment on revaluation reserves for the year totaling Kshs. 3,153,066, and which was not supported with documentary evidence.

**Management Response**

1276. The management is in agreement with the findings and made amendments to the financial statement.

***Committee observation***

1277. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

**3.53.6 Inaccuracies in cash flow statements**

1278. The statement of cash flows and note 1 the financial statements reflect an increase in receivables totaling Kshs. 3,337,411. However, the addition of items included in the balance yielded kshs.4,919,929 resulting in an unexplained variance of Kshs. 1,585,518.

1279. In addition, the statement reflects cash outflows from the purchase of property, plant, equipment and intangible assets totaling tokshs.12, 710,597 which, however, excludes additions to intangible assets totaling 4,971,540 made in the year under review. No explanation was provided for the omission.

**Management Response**

1280. The cash flow statement variance has been corrected in the financial statement and the addition of intangible assets amounting to Kshs. 4,971,540 was included in note 22 of the financial statement of 2020-2021FY.

***Committee observation***

1281. The Committee observed that the matter is resolved as the verified amended financial statement with the restated figures was provided.

**3.53.7 Budgetary Control and Performance.**

1282. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.53.8 Prior Year Issues**

1283. In the audit report of the previous year, several paragraphs were raised under the report on financial statements, report of lawfulness and effectiveness in use of public resources and report on effectiveness of internal controls, risk management and governance. However, although the management has indicated that some issues have been responded to, other issues have remained unresolved.

**Management Response**

1284. Management is in agreement with the observation, however, most of the issues have now been solved and going forward the management will use the correct recommended template to highlight on issues solved year by year.

***Committee observation***

1285. The Committee observed that the prior year's audit matters have been addressed by the committee.

***Committee recommendation***

1286. The Committee recommends that the Office of the Auditor General guides the institution through the audit process and outlines the audit expectations, starting at the Board of Governance level. Further, the institution must always comply with Section 31 Public Audit Act, Cap. 412B by following the audit cycle in its entirety

**3.53.9 Lack of Ethnic Diversity in Staffing**

1287. Review of staffing records indicated that the Institute had forty-four (44) members of staff out of whom forty-three (43) or 98% were from one ethnic community. This was contrary to

section 7(2) of the National Cohesion and Integration Act, Cap. 7N which prohibits any public institution from having more than one-third of its staff from the same ethnic community and Article 232 of the Constitution.

**Management Response**

1288. The management is in agreement of the fact that there was lack of ethnic diversity in staffing, but current recruitment includes staff of different ethnic groups.

**Committee observation**

1289. The Committee observed that the University had made a slight improvement in ensuring ethnic compliance by the institution. There is also evidence from the current appointments on efforts to address the matter.

**Committee recommendation**

1290. The Committee recommends that the university should make deliberate efforts to ensure it is fully compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires all public institutions to reflect the face of Kenya in its workforce.

**3.53.10 Lack of Internal Auditor Charter**

1291. Review of internal control indicated that the Institute did not have an Internal Auditor Charter that defined the purpose, authority and responsibilities of the internal audit function as required under Regulation 170 of the Public Finance Management (National Government) Regulation, 2015 which requires that Internal Audit planning shall be carried out on the basis of risk assessment and shall be set out in a three-year strategic plan, on the basis of which an annual internal audit unit plan shall be developed.

**Management Response**

1292. The management is in agreement that by the time of the audit, the internal audit charter and work plan were not developed. This is now developed.

**Committee observation**

1293. The Committee observed that the matter is resolved as the internal audit charter and the audit work plan were provided.

**3.53.11 Lack of Risk Management Policy.**

1294. As similarly reported in previous years, the institute did not have a Risk Management Policy and Risk Register by Regulation 165(a) and (b) of the Public Finance Management (National

Government) Regulations, 2015 which requires that a National Government entity should develop (a) a risk management strategy, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

**Management Response**

1295. The management agrees that by the time of audit there was no risk management policy. To address these deficiencies and strengthen its risk management practices, the Institute currently has an approved risk management policy.

**Committee observation**

1296. The Committee observed that the matter is resolved as verified copies of the Risk Management Policy were provided.

**3.53.12 Audit, Risk and Compliance Committee (ARC)**

1297. A review of appointment letters, minutes of meetings and personal files of the members of the Audit Risk and Compliance Committee indicated that the Committee did not have a charter and work plan for the year under review.

1298. In addition, none of the members of the audit Committee possessed qualifications and expertise in audit, financial management, and membership of a professional body in good standing required of the Committee.

**Management Response**

1299. The management has since established an audit charter and work plan, Management also prioritized the development of a comprehensive ARC charter and work plan that aligns with regulatory requirements and best practices. The charter defines the Committee's roles, responsibilities, authority, composition, and meeting protocols, Currently, the board committee chair of audit and risk has the qualification required.

**Committee observation**

1300. The Committee observed that the matter is resolved as verified copies of the audit charter and work plan were provided.

**3.54 KISIWA TECHNICAL TRAINING INSTITUTE**

Dr. Godfrey Murunga, The Principal, accompanied by;

- i) Mr. Douglas Wassilwa- Procurement Officer
- ii) CPA Bengula- Internal Auditor

iii) CPA Janet N. Barasa-Finance officer

Appeared before the Committee to adduce evidence on the audited accounts of Kisiwa Technical Training Institute, on 24<sup>th</sup> April 2024.

### **3.55 Audited statements for financial year 2018/2019- Qualified Opinion**

#### **3.55.1 Lack of Complete Asset Register**

1301. As disclosed in Note 17 to the financial statements, the statement of financial position reflects property, plant and equipment with net book value of Kshs. 559,638,483.00 as at 30 June 2019.

1302. However, supporting documents including parcel number, leasehold terms, maintenance contracts, area and dates of acquisition for land and building valued at Kshs. 23,023,000.00 and Kshs. 138,894,248.00 respectively were not provided for audit.

1303. Further, furniture and fittings, computers, plant and equipment with a cost of Kshs. 420,897,055.00 lacked unique identification numbers, date of acquisition and the supplier details. In addition, documents provided for audit revealed that the management of the institute had not undertaken asset valuation.

#### **Management Response**

1304. The management is in agreement with the auditor's observation. However, during the financial year under review, the management was using a manual asset register which had some shortcomings. The institute later took the initiative to procure an asset management module that has all the relevant fields including but not limited to asset identification numbers, date of acquisition and supplier details.

1305. The register is maintained by one member of the accounts department who was formally assigned the task. The register is updated regularly to incorporate any additional assets acquired by the institute.

1306. The management is in agreement with auditor's observation that asset valuation had not been undertaken. However, there was no budget allocation for valuation of assets. The management requested for reallocation of funds for asset valuation in February 2021. The request was approved and the tender for the same awarded to Milligan Valuers having satisfied the evaluation committee as the lowest evaluated bidder.

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

1307. The Committee observed that the matter is resolved as the verified updated assets register extracted from the system and a verified valuation report were provided.

### **3.55.2 Budgetary Control and Performance**

1308. Analysis of the statement of comparison of budget and actual amounts for the year under review revealed that the institute received Kshs. 206,531,966.00 against the final budget of Kshs. 115,791,018.00 surpassing its projected revenue by Kshs. 90,740,948 or 78% mainly due to increased student enrolment.

1309. Further, the institute incurred an expenditure of Kshs. 131,758,941 against the final approved budget of Kshs. 154,442,050 resulting into budget under-absorption of Kshs. 22,683,109 or 15% of the approved budget.

#### **Management Response**

1310. The management is in agreement with the auditor's observation. However, the issue of overfunding came about as a result of intervention by the parent ministry through subsidized tuition fees in terms of capitation. This initiative attracted more trainees resulting in a persistent increase in enrolment beyond the projected which subsequently resulted in an increase in revenue.

1311. Budget under absorption on the other hand came as a result of fear of making more commitments in terms of recurrent expenditure due to delay in the disbursement of capitation grants for quarter 3 and quarter 4.

#### **Committee observation**

1312. The Committee observed that the matter is resolved as the disbursement of capitation listing and enrollment extract statistics showing an increase in students and an extract of the budget performance for 2021/2022 showing an improvement by the management of the institute were provided.

### **3.55.3 Stalled Works at Sirisia TVC**

1313. The statement of financial performance as disclosed under Note 11 to the Financial Statements reflects general expenses totaling Kshs. 101,697,569 which includes Kshs. 7,918,260 incurred by the institute to construct an administration block on behalf of Sirisia TVC, a mentee institution.

1314. Review of project documents revealed that the contract was awarded to a local firm vide contract number referenced MOEST/TVET/2015-2016 to erect and complete Sirisia TVC at a cost of Kshs. 44,252,543 with a revised completion date of July 2019. The contractor had cumulatively been paid a total of Kshs. 39,167,530 or 89% of the project cost.

1315. However, physical verification carried in February 2021 revealed that the classrooms were locked, the contractor was not on site and the building was incomplete without justification contrary to sections 139(1)(2) of the Public Procurement and Asset Disposal Act, Cap.412C which requires the accounting officer of a procuring entity, on the recommendation of an evaluation committee, to approve the request for the extension of the contract period accompanied by a justification certificate from the tender.

1316. In addition, the following items/works were either defective or incomplete at the time of audit, February, 2021;

- i. Incomplete electrical wiring
- ii. Incomplete paint works as per BQ
- iii. Incomplete plumbing works
- iv. Cracked floors on the ground and first floor pavements and classrooms
- v. Cracked pillars
- vi. Leaking roofs
- vii. Leaking septic tank

1317. In the circumstance, the value for money for the Kshs. 39,167,530 for the year under review could not be ascertained. In addition, the management was in breach of the law.

#### **Management Response**

1318. The management is in agreement with auditor's observation that the above listed works were incomplete and that the contractor was not on site at the time of site verification. The project was being implemented by the management of Kisiwa Technical Training Institute as a mentor with authority by the parent ministry

1319. With the authority of the parent ministry, the management of Kisiwa TTI contracted Jyan Construction Services to undertake the project under the supervision of Bungoma County Public Works.

1320. At the time of site verification in February 2021, the contractor was not on site and the building had been locked. This was majorly due to delayed funding from the national government which resulted in delayed payment hence the contractor's hesitance to continue with the works in wait of payment. Further, a request for approval of extra payment of Kshs. 10,791,164.00 was sent to the Ministry vide a letter Ref. No. MOE/DTE/2/1 on 10<sup>th</sup> December, 2019. The management is still waiting for the response from the Ministry. The project was partially handed over to the management of Kisiwa TTI in January 2020.

1321. The management is in agreement with the auditor's observation that the above listed items/works were either defective or incomplete at the time of audit. However, the same concern had also been raised by the management through the principal vide letter Ref. No. KISTTI/P/JYAN/VOL.1 (53) dated 13<sup>th</sup> November, 2019.

***Committee observation***

1322. The Committee observed that the project is still stalled. The institution provided the following; a letter requesting approval of extra funding, a partial handing over certificate and a correspondence letter reminding the Principal Secretary of the State Department of Vocational and Technical Training, informing them about the delay and king their intervention.

***Committee recommendation***

1323. The Committee recommends that the Accounting Officer must ensure compliance with section 139(1 and 2) of the Public Procurement and Asset Disposal Act, Cap. 412C which provides guidance on amendments or variations to contracts.

1324. The Committee further recommends that within three (3) months upon adoption of this report, the Accounting Officer must report to the National Assembly on the current implementation status of the same.

**3.56 Audited statements for financial year 2019/2020- (Qualified Opinion)**

**3.56.1 Lack of complete asset register**

1325. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.56.2 Unresolved Prior Year Issues**

1326. In the audit of the previous year, issues were raised under Report on the financial statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Further, the Management has not indicated the measures taken to address the outstanding issues as necessary and whether they were deliberated.

**Management response**

1327. The management is in agreement with the auditor's observation. However, the two financial years (FY 2018/2019 & 2019/2020) were audited the same time and the audit reports were submitted the same time making it impossible for the management to include the progress on follow-up of the prior year auditor's recommendations.

1328. Being first-time adopters of IPSAS Accrual, the management was not aware of the availability of the revised reporting template on the National Treasury website.

**Committee observation**

1329. The Committee observed that the matter is resolved as subsequent year financial statements were amended and there is also confirmed compliance as reflected in the Audit Certificates.

**3.57 Audited statements for financial year 2020/2021- (Qualified Opinion)**

**3.57.1 Undisclosed Receivables from Non-Exchange Transactions**

1330. The statement of the financial position and Note 15 reflects a nil balance in respect of receivables from non-exchange transactions. However, the statement of comparison of budget and actual amounts reflects capitation revenue budget and actual on a comparable basis of Kshs. 105,000,000 and Kshs. 81,187,500 respectively, resulting in an under-capitation of Kshs. 23,812,500 of the budget.

**Management Response**

1331. The management is in agreement with the auditor's observation. However, receivables from non-exchange transactions are only disclosed in the Financial Statements where there is documented commitment to the same. As such, there was no formal commitment in the financial year under review hence receivables from non-exchange transactions were not disclosed.

*Committee observation*

1332. The Committee observed that the matter is resolved as the explanation provided by management is satisfactory.

**3.57.2 Provision for Doubtful Debts**

1333. The statement of the financial position and note 14 reflects a balance of Kshs. 5,022,368 in respect of provision for doubtful debts.

1334. However, the basis for calculating the provision was not disclosed in the summary of significant accounting policies in the financial statements.

**Management Response**

1335. The management is in agreement with the auditor's observation and wishes to state that provisions for doubtful debts is provided for in the Kisiwa Technical Training Institute Finance Management Policy at the rate of 5%.

*Committee observation*

1336. The Committee observed that the provision for doubtful debts in the finance policy is not in line with accounting standards which requires provision on a graduated scale.

*Committee recommendation*

1337. The Committee recommends that the accounting officer must ensure compliance with Regulation 43(a) of the Public Finance Management (National Government) Regulations, 2015 on ascertaining the correctness of the financial statements before signing them.

**3.57.3 Unresolved Prior Year Matters**

1338. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

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

1339. During the year under review, the institute's payroll had one hundred and fifty –nine (159) employees out of which, one hundred and forty-six (146) or about 92% were from one ethnic community. This is contrary to the provisions of section 7 (2) of the National Cohesion and Integration Act, Cap.7N, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

**Management Response**

1340. The management is in agreement with the auditor's observation on non-compliance with ethnic composition. However, this came as a result of the institute management inherited a majority of its members of staff from Kisiwa Youth Polytechnic.

1341. The management is making every effort to ensure that there is total compliance with the above requirements. The current statistical data for top management and the entire staff is true depiction that the management is gradually improving in terms of compliance.

***Committee observation***

1342. The Committee observed that the verified ethnicity data report as at 21<sup>st</sup> April, 2024 indicated a slight improvement to 87% from 92%, the top management report on the same indicated 75%, which is also a substantive improvement.

***Committee recommendation***

1343. 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 and ensure public institutions reflect the face of Kenya.

**3.58 BUMBE TECHNICAL TRAINING INSTITUTE**

1344. Mr. Calestus Wanjala, The Principal, accompanied by;

- i) Mr. Serah Lodenyi-Finance Officer
- ii) Tom Nyongesa- Finance Officer
- iii) Francis Okumu – Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Bumble Technical Training Institute, on 24<sup>th</sup> April 2024.

**3.59 Audited statements for financial year 2018/ 2019- (Disclaimer Opinion)**

**3.59.1 Unsupported Comparative Balances**

1345. The financial statements for the year ended 30 June, 2019 reflect comparative balances for the 2017/2018 financial year. However, being the first year of audit, documents to support the comparative balances reflected in the statement of financial position, statement of financial performance and statement of changes in net assets were not provided for audit review.

### Management Response

1346. The financial statements were prepared for the first time as per the requirement of Public Finance Management Act. However, since then the institute has been preparing its financial statements and submitting to the office of the auditor general on time

### Committee observation

1347. The matter is resolved as the relevant supporting documentation was provided to the OAG.

### 3.59.2 Variance Between financial Statement balances and Supporting schedules

1348. The financial statements for the year ended 30 June, 2019 reflect variances between the balances and supporting schedules as shown:

Financial Statement balance	Financial Statement (Kshs)	Schedules (Kshs)
General Expenses	38,024,111	39,128,642
Receivables	36,609,378	3,462,817
Trade and Other Payables	9,451,272	-
Refundable Deposits	223,840	284,450
Accumulated Surplus	21,099,030	29,823,679
Capital	229,909,186	226,738,712

1349. Consequently, the accuracy of the balance in the financial statements could not be confirmed.

### Management response

1350. The management is in agreement with the observations from the Auditor General. However, the supporting schedules and errors have been corrected as below;

Financial Statement balance	Financial Statement (Kshs)
General Expenses	38,024,111
Receivables	36,609,378
Trade and Other Payables	9,451,272
Refundable Deposits	223,840

Accumulated Surplus	21,099,030
Capital	229,909,186

***Committee observation***

1351. The matter is resolved as the relevant supporting documentation was provided to the OAG. The verified amended financial statement with the restated figures was also provided.

**3.59.3 Unsupported Income from Rendering of Services**

1352. The statement of financial performance reflects income from rendering of service-fees from students of Kshs.32,321,020 as disclosed in Note 6 to the financial statements. However, the analysis for various services constituting the balance was not provided for audit review.

1353. In the circumstances, the accuracy and completeness of the rendering of services-fees from students' income of kshs.32,321,020 could not be confirmed.

**Management Response**

1354. The management is in agreement with auditor observations. However, the analysis for various services has since been provided.

***Committee observation***

1355. The Committee observed that the matter is resolved as the analysis for various services constituting the balance was provided.

**3.59.4 Non- disclosure of Expenditure Related to sale of Goods.**

1356. The statement of financial performance for the year ended 30 June, 2019 indicates that during the year under review, the Institute realised Kshs.8,056,757 from sale of goods in respect to income generating activities carried out by the institute including catering services, hire of institute facilities such as school bus, carpentry services and welding services.

1357. However, the management has not disclosed nor supported corresponding expenditure incurred to enable the institute provide these services and generate the income.

**Management response**

1358. The corresponding expenditure incurred by the institution on cost of goods sold has since been disclosed and supported under note 14 on general expenses specific lines, driving school expenses and catering expenses totaling to Kshs. 5,720,280. And the remaining balance is part of cash and cash equivalents balances

***Committee observation***

1359. The Committee observed that the matter is resolved as budget extracts and expenditure schedules for the vote heads where the amounts were spent were provided.

**3.59.5 Failure to Maintain an Updated Assets Register.**

1360. The statement of financial position reflects property, plant and equipment balance of kshs.221,016,511 as at 30 June, 2019 as disclosed in Note 18 to the financial statements. However, a copy of the asset register generated from the system maintained by the institute does not include full details of the assets including location/user, unique identification number and condition.

1361. Further, three institute vehicles, whose net book values are indicated as nil are still in use and not been revalued. In addition, equipment donated to the institute has not been given a proper description and its value is captured in the fixed assets register.

**Management Response**

1362. The management agrees with the auditor’s observations and has updated the asset register. The valuation of institute vehicles with nil balances has been redone and values indicated.

Identification number	Value
	Kshs
KBN 118E	2,090,000
GK 392Q	100,000
KBG 338C	455,000

1363. At the time of the audit, the management had not received documentation for the donated equipment. However, the amount is in USD

***Committee observation***

1364. The Committee observed that the matter is resolved as the updated detailed assets register and valuation report were provided and verified

**3.59.6 Unsupported and Undisclosed Balances in the Statement of Changes in Net Assets.**

1365. The statement of changes in net assets for the year ended 30 June 2019 reflect balances which have not been supported. Further, the management has not included grants and subsidies in page 16 of the financial statements totaling Kshs.72,272,474 in the statement of changes in net assets.

1366. Consequently, the accuracy of the statement of changes in net assets could not be confirmed.

**Management response**

1367. The financial statements were prepared for the first time as per the requirement of the Public Finance Management Act. However, since then the institute has been preparing its financial statements and submitting to the office of the auditor general on time.

1368. However, the amounts of grants and subsidies in page 16 were not included in the statement of changes in net assets as well as in statement of financial position, because the amounts were received on behalf of the mentored institutions

**Committee observation**

1369. The Committee observed that the matter is resolved as the verified schedules of subsidies and an extract showing disclosure of the funds since they were received by the Mentored Institutions, -Bunyala TVC, Khwisero TVC, Okame TVC and Chemasiri TVC, Dr. Wako TVC, were provided.

**3.59.7 Budgetary Control and Performance**

1370. The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of kshs.361,662,221 and kshs.73,350,134 respectively resulting to an under-collection of kshs.288,312,087 or 80% of the budget.

Similarly, the statement reflects final expenditure budget and actual on comparable basis of kshs.361,662,221 and kshs.62,847,679 respectively resulting to an under-expenditure of kshs.298,814,542 or 83% of the budget.

**Management Response**

1371. The Institution had budgeted for capital expenditure anticipating support from the Government and other donor agencies. However, this was not realized and hence the only funds expended were internally generated.

**Committee observation**

1372. The Committee observed that there was statistical data for student enrollment showing projections that justified the under-collection. There was, however, no justification for the under expenditure

### *Committee recommendation*

1373. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 43(b) of the Public Finance Management (National Government) Regulations 2015, by ensuring that public funds entrusted to their care are properly safeguarded.

1374. The Committee recommends that the institution should further implement strategies to ensure that budgetary provisions are adhered to.

### **3.60 Audited statements for financial year 2019/ 2020 (Qualified Opinion)**

#### **3.60.1 Variances between financial statements and supporting schedules**

1375. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

#### **3.60.2 Unsupported income from rendering services**

1376. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

#### **3.60.3 Non-disclosure of cost of goods sold**

1377. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

#### **3.60.4 Failure to maintain an updated asset register**

1378. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

#### **3.60.5 Unsupported balance in the statement of changes in net assets**

1379. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendations

#### **3.60.6 Unexplained variance in total expenditure**

1380. The statement of comparison of budget and actual amounts for the year ended 30<sup>th</sup> June, 2020 reflects total expenditure for actual on comparable basis of Kshs.60,118,770. However, the statement of financial performance reflects total expenditure of kshs.70,706,566. The variance of Kshs 10,587,796 has not been reconciled

### **Management Response**

1381. Variances of 10,587,796 is attributed to depreciation expense of 10,687,796 and arithmetic error of Kshs, 100,000 in general expense in the statement comparison of budget and an actual amount which has been corrected as per the amended financial statement

### ***Committee observation***

1382. The Committee observed that the matter is resolved as the OAG confirmed that the variance of Kshs10,687,796 was related to depreciation expense which is a non-cash item and therefore was not to be factored in the Budget Comparison.

### **3.60.7 Budgetary control and performance**

1383. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.60.8 Long outstanding trade and other payables balance**

1384. The statement of financial position reflects trade and other payables balance of Kshs. 6,656,460 as disclosed in Note 20 to the financial statements. However, a review of the balance revealed that they had outstanding for a long period of time, some dating to 2018/2019 and earlier years.

1385. Further, the Institute has no documented policy on payables and no explanation was provided on how the Management intends to limit unfavorable increase in payables as the trend could discourage suppliers of goods and services to the institute, some of whom may resort to legal action.

### **Management Response**

1386. The institute has developed a draft finance policy manual that will be used as a guide on the Institute's financial obligations. Further, the delay in payments of trade and other payables resulted from delayed funding compounded with a reduction in capitation funding from the Ministry. Currently, the formation of pending bills has been settled.

### ***Committee observation***

1387. The Committee observed that the matter has been resolved as the current status of the listing of payables is less than Kshs. 6,656,460 zero confirming that they have been paid out. Further, the institution has developed a zero draft finance policy. Management has, however, not approved the Finance Policy to address how payables are to be managed at the institute level.

### **3.60.9 Unsupported Comparative Balance**

1388. This matter had been addressed by the committee in the previous financial year and the reiterated its recommendations

### **3.60.10 Lack of signed agreement- Erection of mast by Safaricom Kenya LTD**

1389. Review of records maintained by the Institute revealed that Safaricom Kenya Ltd proposed to erect a mast for internet connectivity at the Institute whose works commenced on 28<sup>th</sup> September 2018 with the acknowledgment of the Institute's Board of Management.

1390. However, a contractual agreement was to be signed by the principal secretary to the national Treasury on behalf of the Institute but two and half years later there is no binding agreement despite the fact that the mast was commissioned and is operational.

1391. Further, the section and commissioning of the mast at the Institute comes with financial benefits since the service provider is obligated to pay fees for the use of the lessor's (Bumbe TTI) premises. However, no records were provided of the revenue earned by the Institute from the use of its premises

#### **Management Response**

1392. The contracted company (linksoft Integrated Services) had informed the institute that the contract document had been forwarded to the national treasury for signing before a copy was released to the institute. However, at the time of audit the document had not been released from the national treasury to the institution. The institute has written to the National Treasury to request the signed agreement. Safaricom has also terminated its contract with the institute and also paid the dues to the institute.

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

1393. The Committee observed that the institution provided the signed agreement form dated 21/09/2018, Termination notice ref.WN 1612 BUMBE dated 11 September 2023 however, a copy of the forwarded letter/Agreement by Safaricom to The National Treasury was not provided. There was also no evidence of dues/ revenue received from Safaricom.

#### ***Committee recommendation***

1394. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 9(1) e (i)(ii) of the Public Audit Act which accords the Office of the Auditor General unrestricted Access to access to information.

### **3.60.11 Proposed Erection and Completion of twin workshop, classrooms and office block at Khwisero TVC**

1395. The contract for the proposed erection and completion of twin workshop, classrooms and office block at Khwisero TVC was awarded to a contractor. The project was handed over to the contractor on 14<sup>th</sup> June, 2019 for a duration of forty-six (46) weeks and was expected to be completed on 4<sup>th</sup> March, 2020.

1396. However, the work had stalled and the contractor was not on-site at time of audit inspection. Other works not completed includes plastering, mechanical works, electrical finishes and painting. Further, the contractor had been paid Kshs. 28,571,403 out of works valued at kshs.47,890,168 and the balance of Kshs. 19,318,765 has remained unpaid as at 30<sup>th</sup> June, 2020.

1397. There was no evidence that inspection and acceptance committee was ever appointed and carried out inspection of the works carried out to ascertain the certificates issued and amounts paid for the project.

#### **Management response**

1398. The management is in agreement with the auditor's observation. The project had been delayed by adjustments that were to be done on the initial generic plan as well as delayed government funding. However, the project has since been completed and handed over.

1399. The management had also appointed inspection and acceptance committee members to carry out inspection of the works

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

1400. The Committee observed that the matter is resolved as the Certificate of practical completion, colored photos of the project, appointment letters of the Inspection and Acceptance Committee and minutes of the Inspection and Acceptance Committee, were provided

### **3.61 Audited statements for financial year 2020/ 2021 (Qualified Opinion)**

#### **3.61.1 Variance between Financial Statements and Supporting Schedules**

1401. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendations

#### **3.61.2 Inaccuracies in the statement of Comparison Budget and Actual Amounts**

1402. The statement of comparison of budget and actual amounts reflects total income, budget deficit and under absorption amounts of Kshs. 53,113,459, Kshs. 16,216,629 and kshs.338,543,152 respectively. However, the correct recalculated amounts are Kshs, 52,823,269, Kshs.16,506,819 and kshs.339,795,245 respectively.

1403. Further, the statement also reflects an amount of Kshs. 44,762,972 in respect general expenses which differs with the amount of kshs.41,440,566 shown in the statement of financial performance, resulting in an unreconciled variance of Kshs. 3,322,406.

#### **Management Response**

1404. The management is in agreement with the auditor's observation. However, the reconciliation of total expenditure amount as per the statement of comparison of budget and actual amount on the statement of financial performance have since been reconciled.

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

1405. The Committee observed that the verified budget extract was provided but the variance has not been explained nor reconciled.

#### ***Committee recommendation***

1406. The Committee recommends that the accounting officer must ensure compliance with Regulation 43(a) of the Public Finance Management (National Government) Regulations, 2015 on ascertaining the correctness of the financial statements before signing them.

### **3.61.3 Receivable from Non-exchange Transactions**

1407. The statement of financial position reflects a nil balance under receivables from non-exchange transactions while the statement of comparisons of budget and actual amounts reflects actual receipts of 16,537,500 under Government capitation. In addition, the statement of financial position refers the nil balance on receivables from non- exchange transactions to Note 17 which is on finance cost.

#### **Management Response**

1408. At the time of the audit the institute had not received any communication from the Ministry on undisbursed capitation so it was hard to disclose capitation on financial statements under receivable transactions.

*Committee observation*

1409. The Committee observed that the matter was resolved as the explanation provided by management was satisfactory since the National Treasury failed to release the appropriated funds

**3.61.4 Unsupported Expenditure**

1410. The statement of financial performance reflects a balance of Kshs. 3,919,197 in respect of use of goods and services which, as disclosed in Note 10 to the financial statements, includes amounts of Kshs. 489,684, kshs.68,180 and kshs.52,630 in respect of ren/hostel, book fund and tender respectively. However, the supporting documents such as ledgers and schedules were not provided for audit verification.

**Management Response**

1411. The supporting schedules have since been provided for audit verification.

*Committee observation*

1412. The committee observed that the matter has been resolved as verified ledgers for rent/hostel, book fund and tender were provided.

**3.61.5 Budgetary Control and Performance**

1413. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.61.6 Unresolved Prior Year Matters**

1414. In the audit of the previous year, several issues were raised. The management has not resolved the issues or provided reasons for the delay in resolving them. Further, the unresolved prior year issues are not disclosed under the progress on follow-up of the auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board and the National Treasury Circular Ref: AG.4/16/2 VOL.3 (72) dated 30 June 2021

**Management Response**

1415. At the time of, the audit the institute had not been communicated to about the audit findings for previous financial years.

### *Committee observation*

1416. The committee observed that it had been addressed the prior year's audit matters.

### *Committee recommendation*

1417. The Committee recommends that the Office of the Auditor General guide the institution through the audit process and outline the audit expectations, starting at the Board of Governance level.

1418. The Committee recommends that the Accounting officer must also ensure compliance with Section 31 of the Public Audit Act, Cap. 412B by resolving all audit matters within 90 days of receipt of the audit certificate.

## **3.62 NAVAKHOLO TECHNICAL AND VOCATIONAL COLLEGE**

1419. Mr. Gilbert Ekhavi, The Principal, accompanied by;

Asmail Wangwe- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Navakholo Technical and Vocational College Training Institute, on 30<sup>th</sup> April 2024.

### **3.63 Audited statements for financial year 2020/2021- Qualified Opinion**

#### **3.63.1 Lack of Ownership Document.**

1420. The statement of financial position and as disclosed in Note 23 to the financial statements reflects a property, plant and equipment balance of Kshs. 179,440,601 which includes land valued at Kshs. 2,500,000. However, ownership documents for the land were not provided for audit review.

1421. Further, Management did not maintain an asset register to indicate date of purchase, cost, supplier, location, unique identification number, accumulated depreciation and net book value of the assets.

#### **Management Response**

1422. The management initiated the process of acquiring land Title deed for 5.5 acres donated by Chebuyusi high school as per the board minutes dated; MIN. 3/9/2013, and as directed by the PS State department of TVET dated 18/12/23. This is after the earlier process through the ministry got stale despite having paid for the costs requested.

1423. The asset register is maintained and updated yearly on the acquired system (ABNO-INTELLIMIS) after the HODS-appointed committee came up with the cost of each asset.

***Committee observation***

1424. The Committee observed that the verified copies of the original title deed, the correspondence, the payment vouchers and the detailed asset register

1425. The Committee observed that there is currently no title deed in the name of Navakholo TVC and no professional valuation that has been carried out.

***Committee recommendation***

1426. The Committee recommends that the institution should work closely with their Member of Parliament to hasten the process of acquisition of the land title.

1427. The Committee recommends that the Accounting Officer ensures compliance with Regulation 143(1) of the Public Finance Management (National Government) Regulations ,2015 which states that “The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.”

**3.63.2 Unsupported Receivable from Exchange Transactions**

1428. The statement of financial position and as disclosed in Note 16 to the financial statement reflects receivable from exchange transaction balance of Kshs.3,712,360 which relates to student debtors.

1429. However, detailed schedules and ageing analysis to indicate how long the balance had been outstanding were not provided for audit.

**Management Response**

1430. A list showing the names, admission numbers, year and month of admission, course, installments payment against receipt no’s, total payments and balances is attached.

***Committee observation***

1431. The Committee observed that the matter is resolved as verified detailed schedules and ageing analysis were provided

**3.63.3 Unsupported Trade and Other Payables from Exchange Transactions**

1432. The statement of financial position and as disclosed in Note 20 to the financial statement reflect trade and other Payables balances of Kshs. 1,131,187 in respect of trade payable (creditors). However, supporting documents were not provided for audit.

**1433. Management Response**

1434. A list of creditors, unpaid invoices, delivery notes, statements and agreements are provided for.

***Committee observation***

1435. The Committee observed that the matter is resolved as a verified list of creditors, unpaid invoices, delivery notes, statements and agreements were provided.

- (i) Section 68(1), holds accounting officers accountable for lawful, efficient, and transparent use of resources;
- (ii) Section 68(2) requires compliance with the Constitution and Public Finance Management Act, CAP. 412A. other legislation; and
- (iii) Section 68(3) specifies the duties of accounting officers, including expenditure control, financial management, risk management, and reporting.

**3.63.4 Unsupported Revenue from Exchange Transactions**

1436. The statement of financial performance and as disclosed in Note 7 and 8 reflects revenue from exchange transactions amounting to Kshs. 7,638,830 which includes amounts of Kshs. 7,608,830 and Kshs. 30,000 for rendering of services and other income respectively. However, supporting schedules were not provided for audit.

**Management Response**

1437. A compiled list of debtors across the vote heads is provided, besides the full list of tender bidders showing their names, receipt numbers and amount paid.

***Committee observation***

1438. The Committee observed that the matter is resolved as verified detailed schedules for revenue from exchange transactions were provided.

**3.63.5 Inaccuracies in Employee Costs**

1439. The statement of financial performance reflects employee costs amounting to Kshs. 1,249,685. However, the supporting schedules reflected an amount of Kshs. 1,733,425 resulting to an unexplained variance of Kshs. 483,740.

**Management Response**

1440. The differences in the employees' cost were brought about when I was advised to separate the contracted security services from the salaries of the BOG employees.

***Committee observation***

1441. The Committee observed that the matter is resolved as the verified supporting schedules supporting the financial statement figures were provided

**3.63.6 Unsupported Remuneration of Directors.**

1442. The statement of financial performance reflects remuneration of Directors amounting to Kshs. 426,650. However, the supporting documents for the expenditure were not provided for audit.

**Management Response**

1443. All the vouchers of the director's remuneration have been supported by the invitation letters together with minutes and the signed or payment statement.

***Committee observation***

1444. The Committee observed that the matter is resolved as verified invitation letters together with minutes, signed attendance lists and a payment statement was provided.

**3.63.7 Budgetary Control and Performance**

1445. The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 10,463,000 and Kshs. 9,108,830 respectively resulting to an under-funding of Kshs. 1,354,170 or 13% of the budget. Similarly, the College expended Kshs. 3,295,115 against an approved budget of Kshs. 10,463,000 resulting to an under - expenditure of Kshs. 7,167,885 or 69% of the budget.

**Management Response**

1446. As a result of covid-19, delayed and default in capitation release, the college was forced to cut down on most of its activities and operations thus resulting to underperformance.

***Committee observation***

1447. The Committee observed that the institution was underfunded as confirmed from the capitation instruction letters from the State Department of Vocational and Technical Training.

*Committee recommendation*

1448. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 9(1) e (i)(ii) of the Public Audit Act, Cap. 412B which accords the Office of the Auditor General unrestricted access to information

**3.63.8 Non-Compliance with Law on Ethics Composition.**

1449. During the year under review, the College had thirteen (13) employees, all of whom were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N and Article 232 of the Constitution.

**Management Response**

1450. The management in the guidance of the approved human resource policy is implementing and adopting to the act by balancing are reducing the gap that is in between.

*Committee observation*

1451. The Committee observed that the approved HR policy of the TVC was provided although there was no evidence of action taken to address the issue.

*Committee recommendation*

1452. 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. Further, the institutions should include Persons living with disabilities in their workforce.

**3.63.9 Lack of Risk Management Policy and Strategy**

1453. During the year under review, the College Management did not have a Risk Management Policy and risk register to mitigate against risk. This is in contravention of Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015.

**Management Response**

1454. The risk and management policy were approved by the board and its implementation is being followed closely by the Risk committee after having held a quite number of board committee meetings.

***Committee observation***

1455. The Committee observed that the matter is resolved as verified copies of the Risk Management Policy and the Recovery plan were provided.

**3.63.10 Lack of Approved Information and Communication Technology Security Policy**

1456. Review of the College's information technology systems revealed the College did not have an approved IT Policy for the governance and management of its Information and Communication Technology (ICT) resources.

1457. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy framework to enable the company to realize long-term ICT strategic goals.

1458. Further, without a sound approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

**Management Response**

1459. The board approved the policy though still under zero implementation but all the efforts have been put in place to jump-start the process. See the attached copies of the policy, plus the board committee meetings on the same.

***Committee observation***

1460. The Committee observed that the institution has provided a verified zero draft ICT Security policy but there is no approved copy in place yet.

***Committee recommendation***

1461. The Committee recommends that the accounting officer must ensure the draft policy is signed within one month after appearing before the committee, the roll out and implementation of the ICT Security policy in the institution.

1462. Further, the Committee recommends that the institution must comply with the Public Financial Management (National Government), Regulations 2015 under Regulation 110 (a) which states that "The Accounting Officer for a national government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity".

### **3.63.11 Lack of Internal Audit Function and an Audit Committee.**

1463. The College has not established an Internal Audit Function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, Cap. 412A which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such, the College did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

#### **Management Response**

1464. The audit and risk committee has been put in place and is working on both reports by an outsourced internal auditor and the report of the auditor general to give clear guidance and ensure all the recommendations in the reports is adhered to in the shortest time possible.

#### **Committee observation**

1465. The Committee observed that there was an audit and risk committee in place as indicated by the appointment letters. There was, however, no document showing it is functional as there are no reports coming from the committee. Further, there is no evidence of outsourcing of internal audit functions from sister institutions.

#### **Committee recommendation**

1466. The Committee recommends that the Accounting Officer must ensure the committee is facilitated to maintain its operations and to always comply with section 73 of the Public Finance Management Act, Cap.412A which guides national government entities on maintaining internal auditing arrangements.

### **3.64 MUMIAS WEST TECHNICAL AND VOCATIONAL COLLEGE**

Mr. Job Washuma, The Principal, accompanied by;

- i) Caroline Odongo- Finance officer
- ii) Anna Mwanza- Internal Auditor
- iii) Phelistus Andati- Procurement Officer
- iv) Gladys Abuti – Human Resource Officer

Appeared before the Committee to adduce evidence on the audited accounts of Mumias West Technical and Vocational College, on 30<sup>th</sup> April 2024.

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

#### **3.65.1 Unsupported Comparative Balances**

1467. The financial statements reflect comparative balances under various components despite the fact that these are the first financial statements prepared by the College and the first year of audit. The source and basis of the comparative balances was not explained.

#### **Management response**

1468. The comparative balances for 2021/2022 financial year were derived from the financial statement for the financial year 2020/2021

#### **Committee observation**

1469. The Committee observed that the issue is resolved as the institution's financial statements during the period were not audited by the Office of the Auditor General (OAG), and there had been a transition in the submission process to the OAG. The financial statements for the 2020/2021 period were submitted to the Ministry of Education and were received on 1/10/2021.

#### **3.65.2 Inaccuracy of Property Plant and Equipment Balance**

1470. The statement of financial position reflects a balance of Kshs. 1,072,618 in respect of property, plant and equipment which, as disclosed in Note 16 to the financial statements relates to other assets. However, the Note does not show the cost of the assets, depreciation amount and net book values. Further, records maintained by the College indicate that the College has three parcels of land whose title deeds, valuation reports and survey reports were, however, not produced for audit verification.

1471. In addition, the College did not maintain an asset register containing information relating to: cost of an asset, date of purchase, supplier, location, unique identification number, accumulated depreciation and net book values.

### **Management Response**

1472. The management has made effort to come up with the asset register which shows all assets costs, depreciation amount and net book values. On the title deeds, the college has one title deed No.S/WANGA/MUSANDA/1744 for the first parcel of land, and the management has endeavored to process the other two of which one parcel which was acquired by the National Government Constituency Development Fund of Mumias west Constituency have been requested to avail the original for parcel no S/WANGA/MUSANDA 262 which the college holds a copy. On the third parcel of land, action was initiated through KATTI by payment of KES 44,200 for the purposes of facilitation by Ministry of Education (State Department of TVET) to the Principal Secretary Lands.

### ***Committee observation***

1473. The Committee observed that the following was provided: Verified Asset Register, payment for tracking of Title Deed, a copy of title deed number S/WANGA/MUSANDA/262. However, no survey or valuation report was provided. Only a letter from Ministry Ref.No.MoE/DTE/ADM1/15 dated 10.11.2021 instructing that the process kicks off was availed.

### ***Committee recommendation***

1474. The Committee recommends that the institution ensures that all the requisite documents are obtained within three months after the adoption of the report by the House.

1475. The Committee recommends that the Accounting officer must at all times ensure compliance with Section 68(1) and Section 81(3) of the Public Finance Management Act, Cap. 412A, which requires accounting officers responsible for the management of public resources to ensure those resources are used in compliance with the law, and in a way that promotes transparency and efficiency.

1476. The Committee further recommends that the Accounting Officer ensures compliance with Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 states that “The Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.”

### **3.65.3 Unsupported Trade and Other Payables**

1477. The statement of financial position reflects a balance Kshs.1,223,298 in respect of trade and other payables from exchange transactions as disclosed in Note 17 to the financial statements. However, the supporting schedules were not provided to support the balance.

#### **Management Response**

1478. The management corrected the error on trade and other payables in the subsequent Financial Years.

#### **Committee observation**

1479. The Committee observed that the matter is resolved as the detailed schedule for trade and other payables were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.65.4 Unsupported receipts**

1480. The statement of financial performance reflects an amount of Kshs.12,740,000 in respect of transfers from other national government entities, as disclosed in Note 5 to the financial statements. However, the amount was not supported by Authority to Incur Expenditure (AIEs), detailed schedules and bank statements

#### **Management Response**

1481. The above amount was authorized by the National Treasury to be spend through Quarterly MOE circulars.

#### **Committee observation**

1482. The Committee observed that the matter is resolved as the Authority to Incur Expenditure (AIEs), detailed schedules and bank statements were provided and verified by the Office of the Auditor General.

### **3.65.5 Unsupported Employee Costs**

1483. The statement of financial performance reflects an amount of Kshs.5,631,912 in respect of employee cost as disclosed in Note 11 to the financial statements. However, the expenditure was not supported by detailed schedules and the payroll. Further, the College did not maintain a staff establishment and an approved salary structure.

### **Management Response**

1484. The detailed schedules are hereby provided for review. The management has developed staff establishment and Salary Structure.

### ***Committee observation***

1485. The Committee observed that the matter is resolved as the detailed schedules for employee costs (Kshs.4,988,805 + Kshs.643,107=Ksh5,631,912), the payroll extracts, a duly signed salary structure and the staff establishment were provided and verified by the Office of the Auditor General.

### **3.65.6 Budgetary Control and Performance**

1486. The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.39,794,000 and Kshs.19,102,325 respectively, resulting to under-funding of Kshs.20,691,675 or 52% of the budget. Similarly, the statement reflects an actual expenditure of Kshs.18,666,480 against approved budget of Kshs.39,794,000 resulting to an under-performance of Kshs.21,127,520 or 53% of the budget. The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

1487. The college could not absorb the whole budget for financial year 2021/2022 because the budgeted figures for trainees were not realized, expected quarter four capitation from Government was not received, a number of trainees who applied for HELB were locked out of HELB funding hence not funded. See attached circulars on capitation.

### ***Committee observation***

1488. The Committee observed that the institution did not receive capitation as evidenced by the Letter of Non-Remittance of the fourth quarter capitation due to budgetary constraints for the financial year 2021/2022 written by the Permanent Secretary, State Department of Vocational and Technical Training.

### ***Committee recommendation***

1489. The Committee recommends that budget revisions should be implemented by the Ministry of Education to accommodate changes in revenue projections, policy priorities, or new spending needs and enable the college to achieve its objectives.

1490. The Committee further recommends that the Accounting officer should ensure compliance with Regulation 31 of the Public Finance Management (National Government) Regulations, 2015 which provides guidance on the preparation of annual estimates of expenditure.

### **3.65.7 Late Submission of Financial Statements**

1491. The financial statements of the College for the year under review were submitted for audit on 21 October, 2022, contrary to Section 47(1) of the Public Audit Act, Cap.412B, which states that financial statements should be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate, in this case 30 September, 2022.

#### **Management Response**

1492. The error has since been corrected and the subsequent Financial Statements was submitted on 29<sup>th</sup> September 2023.

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

1493. The matter is resolved as the subsequent year's submission confirmed compliance.

### **3.65.8 Incomplete Composition of the Board of Governors**

1494. During the year under review, the College had a Board of Governors composed of eight (8) Members. However, the membership did not include a representative of the County Government of Kakamega.

#### **Management Response**

1495. The management initiated the action to incorporate the representative of the County Government. See attached request letters.

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

1496. The Committee observed that the institution had made a proactive initiative to resolve the matter, as demonstrated by a letter dated 04.06.2021 requesting the nomination of the County Government representative. However, the County Government had not responded to the letter as required by the Second Schedule of the Technical and Vocational Education and Training Act, Cap. 210A, which mandates that the Board of Governors include a County Government representative.

### ***Committee recommendation***

1497. The Committee recommends that the Institution should be aided by the office of the Attorney General to establish the requisite Composition of Board of Governor for the institution by invoking appointment of the County Government Representative as is required by the Second Schedule of the Technical and Vocational Education and Training Act, Cap. 210A by.

### **3.65.9 Lack of Internal Audit Function and Audit Committee**

1498. During the year under review, the College did not have an Internal Audit Function and Audit Committee.

#### **Management Response**

1499. By the time of audit, the new board had just been incorporated and the college did not have internal audit function in place, because the board had just assumed office and Audit and Risk Management Committee Members were appointed on 18<sup>th</sup> May, 2022. The management has since put in place. All the requisite processes and made arrangements to outsource internal audit services and made available the Board Almanac, Internal Audit Work Plan, and Internal Audit reports.

### ***Committee observation***

1500. The Committee observed that the issue has been resolved, as there is evidence of an active Internal Audit function led by the Internal Auditor, along with an audit report submitted to the Board Audit Committee on 26 October 2023. Additionally, verified appointment letters for the Audit Committee members, dated 18 May 2022, were provided.

### **3.65.10 Lack of Risk Management Policy**

1501. During the year under review, the College did not have a risk management policy. This was contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer to develop a risk management strategy, which includes fraud prevention mechanism and internal control that builds robust business operations.

#### **Management Response**

1502. The management has endeavored to formulate risk management policy and the committee has been appointed; the policy is in draft stage.

***Committee observation***

1503. The Committee observed that the institution had developed a zero-draft risk management policy which has not been approved.

***Committee recommendation***

1504. The Committee recommends that the Accounting Officer must ensure the draft policy is approved within three months after appearing before the committee and to always ensure compliance with Regulations 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires that the Accounting Officer to develop risk management strategies.

**3.65.11 Lack of Approved Information Technology Policy**

1505. During the year under review, the College did not have an approved IT policy for governance and management of its ICT resources. In addition, there was no ICT Steering Committee in place to assist in the development of an ICT policy framework to enable the College realize long-term ICT strategic goals.

**Management response**

1506. Information Technology Policy was developed and the copy is under review.

***Committee observation***

1507. The Committee observed that the matter is resolved as the Zero draft for the Risk Management Policy Framework has been developed and is awaiting approval by the Council.

**3.66 MATILI TECHNICAL TRAINING INSTITUTE**

1508. Ms Judith Sande, The Principal, accompanied by;

Mr. Bernard Omondi - Finance officer

Appeared before the Committee to adduce evidence on the audited accounts of Matili Technical Training Institute, on 5<sup>th</sup> June 2024.

**3.67 Audited statements for financial year 2018/2019- Adverse Opinion**

**3.67.1 Inaccuracies in the Financial Statements- Statement of Financial Performance**

1509. The statement of financial performance and Note 7 to the financial statements reflects rendering of services fees from students' balance of Kshs. 67,534,654. However, the system

generated ledger presented for audit review reflects a balance of Kshs. 58,835,268, resulting to an unsupported variance of Kshs. 8,699,385.

1510. Further, the statement reflects employee costs of Kshs. 10,000,689 which differs with the payroll figure of Kshs. 12,175,916, resulting in an unreconciled variance of Kshs. 2,175,227.

#### **Management Response**

1511. The management is in agreement with audit observation. However, the variance noted was due to an accrued amount which was not captured in the system. This has been supported by amended financial statements accordingly.

1512. The variance of employee cost was a result of security services and administration expenses wrongly classified as salary. However, this has been corrected and changes are effected in the amended financial statements.

#### **Committee observation**

1513. The matter is resolved as the amended financial statements were provided although out of date. Management further provided the approved journal of Kshs.2,050,382 which was the overstated student fees.

1514. Management also explained the variance in employee costs. Kshs.2,175,227 is a result of costs relating to Security services and administration expenses which were previously costed as part of the payroll expenses.

#### **3.67.2 Statement of Cash Flows**

1515. The statement of cash flows reflects development grants (Food and Beverage Complex) balance of Kshs. 14,837, 854. Included in this balance is Kshs. 12,290,604 which relates to the prior year. Inclusion of the cash inflows recorded outside the period under review contravenes best practice of restricting the report within the twelve months ended 30 June, 2019. Further, the statement reflects cash and cash equivalent balance as at 30 June, 2021 of Kshs. 71,775,448 which differs with the recalculated balance of Kshs. 69,391,146 resulting to an unreconciled balance of Kshs. 2,384,289.

#### **Management Response**

1516. Observations well noted, proper reconciliations of the variances were made to reflect the correct balances in the amended financial statements.

***Committee observation***

1517. The Committee observed that the matter is resolved as management amended the cashflow statements and provided the corrected statement to the OAG.

**3.67.3 Unsupported Comparative Balances**

1518. The statement of changes in net assets reflects brought forward balances totaling Kshs. 360,398,270 which have not been supported or explained. Similarly, the statement of financial position and Note 19 to the financial statement reflects properly, plant and equipment balance of Kshs. 352,868,797. Included in this balance is prior year balances totaling Kshs. 81,406,396 which have not been explained or supported

**Management Response**

1519. Observations well noted, however, the management sought the services of professional valuer and prepared a comprehensive asset register. The financial statements have been amended accordingly with correct figures.

***Committee observation***

1520. The Committee observed that the matter is resolved as a verified extract of the financial statements relating to 2017/18 were provided although the institution was not audited by the OAG in this financial year.

**3.67.4 Lack of Valuation of Property, Plant and Equipment**

1521. The circumstances of financial position reflect a balance of Kshs. 352,868,797 in respect of net book value of the property, plant and equipment as at 30 June, 2019 as detailed at Note 19 to the financial statements.

1522. However, there was no valuation report by a competent professional valuer indicating the current value of the assets or record supporting the balance. Further, it was noted that there is no depreciation policy put in place this no depreciation charge for the financial year under review.

***Committee observation***

1523. The Committee observed that the matter is resolved as the verified valuation report dated December 2021 was provided. Further, the extract of the financial statements capturing Note 19 on Property Plant Equipment agreeing with the figures for the financial year 2021/2022 was also provided.

### **3.67.5 Cash and Cash Equivalent**

1524. It was noted that the cash and cash equivalents balance of Kshs. 71,775,438 as detailed under Note 16 to the financial statements differ with the cash book balances totaling Kshs. 71,841,483, resulting to an unreconciled variance of Kshs. 66,045.

#### **Management response**

1525. The management is in agreement with the observations. We have reconciled the variances to reflect the correct balances in the amended financial statements.

#### **Committee observation**

1526. The Committee observed that the matter is resolved as the verified bank reconciliation statement and extract of cashbook for the main account was provided for Audit.

### **3.67.6 Budget Control and Performance**

1527. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparison basis of Kshs. 81,548,800 and Kshs. 93,260,744 respectively resulting to an over-funding of Kshs. 11,711,944 or 14% of the budget. Similarly, the Institute expended Kshs. 54,645,839 against an approved budget of Kshs, 57,252,920 resulting to an under-expenditure of Kshs. 2,607,081 or 5% of the budget.

1528. In addition, the statement of comparison of budget and actual accounts reflects actual revenue and expenses balances of Kshs. 95,067,725 and Kshs. 64,168,280. The variances have not been explained. Further no reason has been provided for failure of the revenue and expenses budget to balance.

#### **Management Response**

1529. Observations well noted. We acknowledge to have included capital expenses and mentoring institution expenses, however, we have done reconciliations in the amended financial statements.

#### **Committee observation**

1530. The Committee observed the matter is resolved an extract of the statement of Budget Comparison and a revised financial statement showing that there was no over-expenditure was provided and verified by the Office of the Auditor General.

### **3.67.7 Lack of Institutional Policies and Guidelines**

1531. The following policies and guidelines have not been developed and approved for implementation:

- i. Strategic Plan
- ii. Finance Manual
- iii. Human Resource Manual
- iv. Risk Management Policy
- v. Internship Policy and Guidelines
- vi. Service Charter
- vii. ICT Policy
- viii. Asset Management Policy
- ix. Internal Audit Charter
- x. Departmental Operational Manuals
- xi. Training Policies and Guidelines

#### **Management Response**

1532. Observations well noted. The policies and guidelines have been developed and implemented.

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

1533. The Committee observed that the matter is resolved as the Training Policies and Guidelines the Risk Management Policy, the Strategic Plan and the Finance Manual were all in place and approved.

1534. The Committee observed that the following policies were however, still in zero draft and awaiting approval: The Human Resource Manual the Risk Management Policy the Internship Policy and Guidelines the Service Charter the ICT Policy the Asset Management Policy, the Internal Audit Charter and the Departmental Operational Manuals.

### **3.67.8 Ethnic Diversity in Staffing at Matili Technical Training Institute**

1535. A review of the Institutes staff establishment as at 30 June, 2019 revealed that for teaching staff category, one ethnic community accounted for 77% of the total staff establishment.

Similarly, for non-teaching staff category, the same community had an ethnic representation of 94%.

#### **Management Response**

1536. Observations well noted. The management has put in measures to ensure that future recruitment will strictly adhere to regional balancing in line with the relevant laws and legislations.

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

1537. The Committee observed that there is no justifiable statistical data from the recent recruitment to indicate that the institution is making any effort to comply with the law for top management.

#### ***Committee recommendation***

1538. The Committee recommends the university makes deliberate efforts in ensuring they are fully compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires all public institutions to reflect the face of Kenya in its workforce.

### **3.67.9 Expenditure on Unbudgeted Votes**

1539. The Institution made payments amounting to Kshs. 9,231,568 on unbudgeted expenditure.

#### **Management Response**

1540. The management is in agreement with the findings. This was an oversight; however, the management will be carrying out regular reviews to ensure that all votes for the institution are budgeted for.

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

1541. The Committee observed that the matter is resolved as the approved budget was provided and verified by the OAG. All the items highlighted were budgeted for under the operating activities.

### **3.67.10 Lack of Approved Salary Structure for Employees**

1542. It was noted that the Institute had not put in place an approved staff establishment and salary scales for its staff contrary to Section 29(m) of the TVET Act, Cap.210A which requires the Board to determine suitable terms and conditions of service for support staff, trainers and instructors and remunerating the staff of the Institutions, in consultation with the authority.

### **Management response**

1543. The Human Resource Department in consultation with institutes management has developed a salary structure in line with the SRC circular of 2<sup>nd</sup> July, 2019 for all its employees. The salary structure puts into consideration employees' academic qualifications, specific job group and assigned duties and responsibilities, The developed salary structure is in use.

### **Committee observation**

1544. The Committee observed that there is institution had developed a zero draft salary structure awaiting approval by the Board.

### **Committee recommendation**

1545. The Committee recommends that the accounting officer must ensure the draft structure is approved within three (3) months of adoption of this report by the National Assembly.

## **3.68 Audited statements for financial year 2019/2020- (Adverse Opinion)**

### **3.68.1 Accuracy of Financial Statements- Inaccurate Presentation and Disclosure of the Financial Statements**

1546. Examination of the financial statements reflects the following casting errors and inaccuracies in the presentation of financial statements: -

- i. The statement of financial statements reflects Nil expenditure under Depreciation charge,
- ii. Presentation and disclosure of the Property, Plant and Equipment is not as per the prescribed format, accumulated depreciation and depreciation charge for the year have not been disclosed,
- iii. Statement of changes in net assets includes Revaluation gain/(Loss) balance of Kshs. 62,195,940 which cannot be confirmed since it is not reflected under the statement of financial performance and Note 20 Property, Plant and Equipment. Further, Capitation/Development grants received during the year amounting to Kshs. 2,547,250 differed with Kshs. 313,837,347 reflected an understatement of cashflows-financing activities,
- iv. Statement of comparison of budget and actual amounts reflects total receipts amounting to Kshs. 198,345,099 which differs with the statement of the financial performance expenditure of Kshs. 198,977,665 resulting to a

difference of Kshs. 632,566 being omitted rental revenue from facilities and equipment and other income. Further repairs and maintenance, property, plant and equipment additions and Grants and subsidies received during the year amounting to Kshs. 9,009,044, Kshs. 51,011,979 and Kshs. 2,547,250 respectively have been omitted,

- v. The statement of cash flows for the year ended 30 June, 2020 reflects Net increase/(decrease) in cash and cash equivalents balance of Kshs. 8,021,617 and Nil balance as at 30 June, 2020 and 30 June, 2019 respectively resulting to unexplained and unreconciled variance amounting to Kshs. 81,711,163.30 and Kshs. 399,708, respectively. Further, the statement of cash flows includes financing activities amounting to Kshs. 14,837,854 and Kshs. 296,452,243 in respect of Capital/Development Grants/Funds and Mentor Institutions balances brought down from prior years respectively. Inclusion of the cash inflows recorded outside the period under review contravenes best practice of restricting the report within the twelve months ended 30 June, 2020

### **Management Response**

1547. Observation well noted. we acknowledge there was a mix-up during the preparation of schedules and since then proper reconciliations have been done and financial statements. Amended.

### ***Committee observation***

1548. The Committee observes that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.68.2 Unsupported Receipts and Expenditure- Unsupported Rendering of Services/Fees from Students**

1549. The statement of financial performance reflects an amount of Kshs. 126,401,789 under rendering of services. However, the system-generated ledger presented for audit supports a figure amounting to Kshs. 74,270,738 leaving unsupported amount of Kshs. 52,131,051.

### **Management Response**

1550. Observation well noted. we acknowledge there were casting errors which have been corrected and financials amended.

### ***Committee observation***

1551. The Committee observes that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.68.3 Unsupported Balance on Student Debtors**

1552. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 11,792,200 which includes an amount of Kshs. 10,691,357 in respect of student debtors balance of Kshs. 10,691,357 differ with the system generated ledger records balance of Kshs. 18,405,037 resulting to unreconciled variance amounting to Kshs. 69,713,680.

### **Management response**

1553. The Management stated that the observation well noted. System generated report had errors which was due to a list uploaded to the newly acquired system that had not been verified. We have since corrected the errors and amended the financial statements to reflect the corrections.

### ***Committee observation***

1554. The Committee observed that the matter is resolved as the amended statements and the journals supporting the new amounts were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.68.4 Unresolved Prior Year Matters**

1555. In the audit report of the previous year, several issues were raised under the report on financial statements, Report on Lawfulness and Effectiveness in use of public resources, and the report on effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

*Committee observation*

1556. The Committee observed that the prior year's audit matters had been addressed by the Committee.

**3.68.5 Over Expenditure**

1557. Matili TTI budgeted to spend an amount of Kshs.96,309,469 under various vote heads but had actual expenditure amounting to Kshs.115,252,047 leading to an over expenditure amounting to Kshs.19,904,884 or 21%

**Management Response**

1558. Observation noted, and therefore we have provided the approved budget.

*Committee observation*

1559. The Committee observed that the matter is resolved as the approved budget of Kshs.218,236,285 was availed confirming that there was no over-expenditure in the amended financial statement.

**3.68.6 Unbudgeted Expenditure**

1560. The Institution made payments towards pay-as-you-eat or catering, caution money, examinations, NITA, production unit and tender in the year 2019-2020 amounting to Kshs.18,645,837. However, the items were not provided in the approved budget

**Management response**

1561. Observations well noted. We acknowledge that we have included capital expenses and mentoring institutions expenses; however, we have reconciled them in the amended financial statements.

*Committee observation*

1562. The Committee observed that the matter is resolved as the approved budget was availed, these were items that were budgeted under Use of Goods and Services. There is, however, no NITA vote head.

**3.68.7 Non-compliance with Legal Provisions on Ethnic Diversity**

1563. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.68.8 Un Approved Salary Structure and Incomplete Payroll**

1564. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.68.9 Lack of Institutional Policies and Guidelines**

1565. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

## **3.69 Audited statements for financial year 2020/2021- Qualified Opinion**

### **3.69.1 Failure to depreciate Property, Plant and Equipment**

1566. The statement of financial position reflects a property plant and equipment balance of Kshs. 502,647,495. However, a footnote to Note 19 indicates that Management did not charge depreciation on the assets. This is inconsistent with International Public Sector Accounting Standards No. 17 which states that after recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### **Management Response**

1567. Agreed with observation. The management has engaged the services of a qualified professional to value the institute's assets. In the meanwhile, we have amended the position of the assets, there's a provision for the depreciation of the assets in the amended financial statements.

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

1568. The Committee observed that the matter is resolved as the amended statements and the journals supporting the new amounts were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.69.2 Unsupported Amounts in the Statement of Changes in Net Assets**

1569. The statement of changes in net assets reflects a revaluation gain of Kshs. 382,979,659 and a suspense account of Kshs. 36,724,872 the nature of which was not explained. In addition, the balances were not supported by any documents.

#### **Management Response**

1570. Observation well noted. We have amended the statement of Net assets and carried out a reconciliation.

### ***Committee observation***

1571. The Committee observed that the matter is resolved as the amended statements and the journal entries for the adjustment of Kshs.36.7M were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.69.3 Statement of Cash Flows**

1572. The statement of cash flows reflects a net increase in cash and cash equivalents balance of Kshs. 50,136,395 which differs from the recalculated amount of Kshs. 13,598,876. This is the difference between the balance of Kshs. 63,753,820 cash and cash equivalents as at 1 July, 2020 and Kshs. 77,352,696 cash and cash equivalents as at 30 June, 2021.

### **Management Response**

1573. Agreed with the observation. We have reconciled the cashflow variance noted and amended the financial statements accordingly.

### ***Committee observation***

1574. The Committee was observed that the matter is resolved as the amended statements and the journal entries supporting the adjustments were provided and verified by the office of the Auditor General. This was however done outside the Audit cycle.

### **3.69.4 Non-Compliance with Law on Ethnic Composition**

1575. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

## **3.70 SHAMBERERE TECHNICAL TRAINING INSTITUTE**

Mr. Elisha Nyamu, The Principal, accompanied by;

- i. Mr. Josiah Egado - Finance Officer
- ii. Ms. Sheril Ayiko - Supply Chain Officer

Appeared before the Committee to adduce evidence on the audited accounts of Shamberere Technical Training Institute, on 5<sup>th</sup> June 2024.

### **3.71 Audited statements for financial year 2018/2019- (Qualified Opinion)**

#### **3.71.1 Presentation of the Financial Statements.**

1576. The statement of comparison of budget and actual amounts for the year ended 30th June 2019, reflects significant variances between the final budget and actual on comparable basis

which have not been explained as required by the Public Sector Accounting standards Board Reporting template. Further, Note 3 (i) on relevant new standards and Amendments to published standards effective for the year ended 30th June 2019 discusses standards that are not relevant to the institute.

1577. In addition, under summary of significant accounting policies a section of the disclosures has no relevance to the future and operations of the institute. For example, Note 4 (a) (ii) - Rendering services -student fees has nothing to do with stage of completion and measurement with reference to labour hours.

1578. Consequently, financial statements submitted for audit do not comply with public sector Accounting standards Board reporting template.

#### **Management Response**

1579. The variance between the budgetary revenue and actual revenue was as a result of poor fees collection as is reflected in the huge fees arrears balances of ksh 30,555,426 as is indicated at Note 23 to the financial statements. The institute has put in place measures to try and collect as much fees as possible. For instance, the institute is insisting on the trainees to clear their outstanding fees arrears before registering for their National Examinations.

1580. The items which were captured in the financial statements but not relevant to the Institute were as a result of adopting the template issued by The Public sector Accountants Board, these areas which are not relevant to us are supposed to be deleted.

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

1581. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

#### **3.71.2 Statement of Cash Flows**

1582. The statement of cashflows for the year ended 30th June 2019 has been prepared on the assumption that all the revenues and expenses of the institute were on cash basis. Transfers from other Government entities receipts of Kshs. 26,440,000 as disclosed in Note 6, to the financial statements includes expected grants from state department of vocational Training of Kshs. 10,470,000 which is a receivable while other income, rentals and agency fees of Kshs.

15,304,300 as disclosed in Note 11 to the financial statements includes deferred income (depreciation on buildings) of Kshs. 2,020,000 which is a noncash item.

1583. Further the statements reflect the payment of Kshs. 16,766,686 under grants and subsidies paid. However, the expenditure is not reflected in statement of financial performance neither is supported by any documentation.

1584. In addition, the increase in receivables of Kshs. 40,040,572, repayment of borrowings of Kshs. 1,484,097 and cash and cash equivalents as at 1st July 2018, of Kshs. 29,254,815 were not supported by any documentation.

#### **Management Response**

1585. The errors in the preparation of the financial statements are noted and corrected. Going forward, the management would like to ensure preparation of accurate and up to date financial statements through recruitment of qualified and competent staff. To date, the management has since recruited two qualified Accountants in the Finance department.

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

1586. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

### **3.71.3 Unsupported Revenue from Exchange Transactions**

1587. The statement of financial performance for the year ended 30th June 2019 reflects revenue from rendering of services fees from students and sale of goods of Kshs. 41,263,620 and Kshs. 26,893,673 respectively as disclosed in Notes 8 and 9 to the financial statements. However, the two balances were not supported by the analysis.

#### **Management Response**

1588. Schedules for the above were available in soft copy and on the Abno EPR systems, this system was new to the users and provided operational challenges of retrieval, these challenges were later resolved by capacity building the accounts department staff and the records can now be easily retrieved from the system.

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

1589. The Committee observed that the matter is resolved as the analysis was provided and verified by the office of the Auditor General.

#### **3.71.4 Unsupported Inventories Balance**

1590. The statement of financial position as at 30th June 2019, reflects a balance of 478,965 under inventories. However, the balance was not supported by any documentation, including stock-taking sheets.

##### **Management Response**

1591. At the time of audit, stock taking had been done but not well presented on the prescribed stock take sheets, this anomaly has been corrected by transferring the information to stock sheets and final stock lists. The management has since ensured Stock taking is done quarterly and annually on the prescribed stock sheets.

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

1592. The Committee observed that the matter is resolved as the stock sheets were provided and verified by the Office of the Auditor General

#### **3.71.5 Inaccurate Property, Plant and Equipment Balance**

1593. The balance includes buildings and motor vehicles valued at Kshs. 101,000,000 and Kshs. 6,800,000 respectively. However, the two balances differ from the respective balances of Kshs. 100,000 and Kshs. 7, 495,000 reflected in the asset register. No explanation or reconciliation has been provided for the variances.

##### **Management Response**

1594. At the time of Audit, the Asset register had not been updated due to challenges of capacity at the accountant/ procurement departments. This challenge was later resolved when the management recruited 2 qualified staff at the Finance department and 2 staff at the procurement office. The asset register was updated and now is in agreement with the financial statements (PPE).

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

1595. The Committee observed that the matter is resolved as the updated Assets Register was provided and verified.

#### **3.71.6 Unsupported Trade and other Payables from Exchange Transactions.**

1596. The statement of financial position as at 30th June 2019 reflects Trade and other payables from exchange transactions of Kshs. 11,076,219 which as disclosed in Note 28 to the financial

statements. The balance comprises of Kshs. 1,427,998, Kshs. 313,000 and Kshs. 9,335,221 relating to trade payables, caution money and third party payments (creditors) respectively. However, the three balances are not supported by any analyses.

#### **Management Response**

1597. Schedules for the above were available in soft copy and on the Abno EPR systems, this system was new to the users and provided operational challenges in retrieval, these challenges were later on resolved by capacity building the accounts department staff and the records can now be easily retrieved from the system.

#### **Committee observation**

1598. The Committee observed that the matter is resolved as the trade payables analysis was provided to the OAG and verified.

#### **3.71.7 Unexplained Provisions**

1599. The statement of financial position as at 30th June 2019 reflects current provisions and non-current provisions of Kshs.1,442,210 and Kshs.292,161 respectively, totaling Kshs.1,734,371. However, the purpose of the provisions was not explained.

#### **Management response**

1600. At the time of audit, the provisions provided for in the statement of financial position were in error, this was noted and corrected by the advice of the auditor.

#### **Committee observation**

1601. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

#### **3.71.8 Budgetary Control Performance**

1602. The statement of comparison of budget and actual performance for the year ended 30th June 2019, reflects final revenue budget and actual on comparable basis amounts of Kshs. 150,500,000 and Kshs. 114,227,593 respectively, resulting in an underfunding by Kshs. 36,272,407 or 24% of the budget.

1603. Similarly, the institute spent an amount of Kshs. 111,126,024 out of the approved expenditure budget of Kshs. 150,500,000 resulting in under expenditure of Kshs. 39,373,976 or 26% of the budget.

### **Management Response**

1604. The variance between the budgetary revenue and actual revenue was as a result of poor fees collection as is reflected in the huge fees arrears balances at the end of the financial period. The institute has put in place measures to try and collect as much fees as possible. For instance, the institute is insisting on the Trainers to clear their outstanding fees arrears before.

### ***Committee observation***

1605. The Committee observed that the explanation provided by management is satisfactory.

### ***Committee recommendation***

1606. The Committee recommends that the Accounting Officer complies with Regulation 43(1) (b) of the Public Finance Management (National Government) Regulations 2015, which seeks to ensure that public funds entrusted to their care are properly safeguarded.

### **3.71.9 Failure To Comply with TVETA Quality Audit Requirements**

1607. The institute has failed to comply with the quality assurance manual developed by the Technical and Vocational Education Training Authority in regard to program accreditation as some of the programs offered had not been accredited and there was also no evidence that all of the trainers were accredited.

### **Management Response**

1608. During the Financial year 2018/2019, a few courses had been accredited, however, to date all courses offered by the Institute have since been accredited. Equally, all the trainers are registered with TVETA.

### ***Committee observation***

1609. The Committee observed that the matter is resolved as all the courses are currently accredited although not all trainers are accredited. The institution provided copies of the License Certificates and a list of the registered trainers.

### **3.71.10 Lack of Risk Management Policy**

1610. As at the time of Audit, the institute did not have a risk management policy, contrary to the provisions of Regulation 165 (1) of The Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting officer of a Government entity should develop risk management strategies, which include fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.

### **Management Response**

1611. The time of Audit, the risk management policy, had not been developed, however this policy has since been developed and is currently operational.

### ***Committee observation***

1612. The Committee observed that the matter is resolved as the verified approved Risk management Policy was provided.

### **3.71.11 Failure to Undertake an Investment Grade Energy Audit**

1613. According to Regulation 5 of the Energy Management Regulation, 2012, the institute is required to develop a clear energy management policy.

1614. In addition, section 6 requires the institute to undertake an Energy Audit at least once every three years.

### **Management Response**

1615. During the Audit time, the institute had not developed an energy policy and also had not undertaken an energy audit, however, the institute has since developed an energy policy and is in the process of conducting an energy audit.

### ***Committee observation***

1616. The Committee observed that the matter is resolved as a verified Energy Management Policy was provided.

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

1617. During the year under review, the institute did not maintain an imprest register as required by Regulation 93(14) of the Public Finance Management (National Government) Regulations, 2015 which requires that a memorandum cash book, be kept to record all receipts and payments and the balance on hand shall agree with the cash balance recorded in the memorandum cash book, and in the absence of any receipts, the actual cash balances plus the expenses paid, shall equal at all times the fixed level of the imprest for which the imprest holder is personally responsible.

### **Management response**

1618. During the audit period the imprest register was not provided for audit review. However, the list of imprest holders was available this has since been used to prepare the imprest register. Going forward the management has ensured that the imprest register is maintained.

### *Committee observation*

1619. The Committee observed that the matter is resolved as a verified Imprest register was provided. The register is, however, not up to date.

## **3.72 Audited statements for financial year 2019/2020- Qualified Opinion**

### **3.72.1 Presentation of the Financial Statements.**

1620. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

### **3.72.2 Unsupported Balances in the Statement of Changes in Net Assets**

1621. The statements of changes in Net Assets reflects a balance of Kshs. 516,649,156.00 as at 30th June 2020. Included in the balance is the opening balance of Kshs. 538,252,619 as at July 2019 and fair value adjustment on quoted investment negative balance of Kshs. 62,365,289.00 which have not been supported by any documentation or analysis.

### **Management Response**

1622. The opening balance of Kshs. 538,252,619 is the closing balance on capital account of the financial year 2018/2019 while the balance of Kshs (62,365,289.00) being the amount of fair value adjustment on quoted investment was an error as the institute did not deal in investments in quoted securities. This has been rectified in the financial statements by removal from the statement of changes in Net Assets.

### *Committee observation*

1623. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

### **3.72.3 Inaccurate Statements of Cash Flows**

1624. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

### **3.72.4 Unsupported Expenditure on use of Goods and Services**

1625. Statement of financial performance for the year ended 30th June 2020, reflects an Expenditure of Kshs. 38,301,388.00 in respect of use of goods and services which as disclosed under Note 10, to the financial statements, relates to expenditure incurred on 28 expenditure

items. However, schedules supporting each of the 28 expenditure items were not provided for audit review.

**Management response**

1626. During the time of audit review, the schedules for expenditure on 28 expenditure items was not provided. However, the schedules were available in soft copy on ABNO software which have since been retrieved. Going forward, the management has ensured that the schedules are prepared and provided for audit review.

**Committee observation**

1627. The Committee observed that the matter is resolved as the verified stock sheets were provided.

**3.72.5 Unsupported cash and cash equivalents**

1628. The statement of financial position reflects a balance of Kshs 65,014,136.00 under cash and cash equivalents as disclosed in Note 17 to the financial statements. The balance comprises of bank balances in seven (7) bank accounts totaling to Kshs. 64,945,518 and a cash on hand balance of Kshs. 68,618.00.

1629. However, bank certificates, bank statements, and bank reconciliation statements for two bank accounts with balances totaling Kshs. 8,711 were not provided for audit review.

**Management Response**

1630. During the time of audit, the bank certificates for two accounts held by the college were not available for audit review, however this has been rectified going forward all the bank certificates and reconciliation statements have always been provided Bank account certificates and bank reconciliation statements for the two bank accounts with a total balance of Kshs. 8711 have been attached.

**Committee observation**

1631. The Committee observed that the matter is resolved as the documents were provided.

**3.72.6 Unsupported inventories**

1632. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

**3.72.7 Inaccurate comparative opening balances for 2018/19**

1633. Financial statements reflect comparative figures which are at variance with variances shown in the audited financial statements for the year ended 30th June 2019 as shown in the table

**Management Response**

1634. We agree with this audit findings. During the time of audit, the financial statements had variances in comparative figures for the year 2019, however, the management has ensured that the financial statements have been amended with the correct figures.

**Committee observation**

1635. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

**3.72.8 Budgetary Control Performance**

1636. This matter had been addressed by the committee in the previous financial year and the committee reiterates its recommendation.

**3.72.9 Lack of Approved Budget**

1637. The institute did not provide for Audit review an approved budget for the year under review, contrary to the provisions of section 22 (1) of the second schedule of the Technical and Vocational Education and Training Act, Cap. 210A.

**Management response**

1638. Management did not provide a response.

**Committee observation**

1639. The Committee observed that there was no documentation was provided for verification.

**Committee recommendation**

1640. The Committee recommends that the Accounting Officer ensures compliance with Section 22 (1) of the Second schedule of the Technical and Vocational Education and Training Act Cap. 210A. Which states that “A Board of Governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in such form and at such times as the Cabinet Secretary may prescribe.”

**3.72.10 Lack of Risk Management Policy**

1641. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.72.11 Failure To Undertake an Investment Grade Energy Audit**

1642. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

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

1643. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.72.13 Failure To Maintain an Updated Assets Register**

1644. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

## **3.73 Audited statements for financial year 2020/2021- (Qualified Opinion)**

### **3.73.1 Lack of Fixed Assets Register**

1645. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.73.2 Inaccuracies in the Financial Statement**

1646. The statements of financial performance and as disclosed in Note 10 to the financial statements reflect use of goods and services balance of Kshs. 57,655,432. The balance includes expenditure of Ksh.8,111,039 under LT&T which differs with the supporting ledger balance of Kshs.7,640,839 resulting to unexplained variance of Kshs.470,200.

1647. Further, the statement of financial position and as disclosed in Notes 17 and 22 to the financial statements reflects cash and cash equivalents and Trade and other payables of Kshs. 56,436,232 and Kshs 17,657,841 respectively which differs with supporting ledger balances of Kshs. 52,369,223 and Kshs. 19,715,601 respectively resulting into unexplained variances of Kshs. 4,066,999 and Kshs.2,057,760 respectively.

### **Management Response**

1648. During the year under review the schedules were having variances which were corrected on the advice of the auditor. The corrected schedules have been attached.

### ***Committee observation***

1649. The Committee observed that the matter is resolved as the amended statements were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

### **3.73.3 Unsupported Receivables from Exchange Transactions**

1650. The statement of financial position reflects a balance of Kshs. 57,512,995 under current portion of receivables from exchange transactions which as disclosed in Note 18 to the financial statements comprise of balance of Kshs. 53,622,735, Kshs. 25,000 and Kshs 3,865,260 relating to student debtors, staff salary advances and other debtors respectively. However, supporting schedules and ageing analysis were not provided for audit review.

#### **Management Response**

1651. At the time of audit, the revenue schedules were not provided for audit review. However, the schedules were retrieved from the ERP system latter on.

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

1652. The Committee observed that the matter is resolved as the ledgers for student debtors, staff salary advances and other debtors were provided and verified by the office of the Auditor General. This was, however, done outside the Audit cycle.

### **3.73.4 Budgetary Control Performance**

1653. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.73.5 Unresolved Prior Year Matters**

1654. In the audit report of the previous year, a number of paragraphs were raised. However, the management has not resolved the issues nor disclosed all the prior year matters as provided by the public sector Accounting Standards Board template

#### **Management response**

1655. At the time of the Audit the prior year queries had not been addressed, in the succeeding years these prior year queries have been disclosed in the financial statements and addressed.

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

1656. The prior year audit matters had been addressed by the committee.

## **3.74 MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**

1657. Professor Solomon Shibairo, The Vice Chancellor, accompanied by;

- i. Prof. Charles Mutai – Deputy Vice Chancellor PRI
- ii. Prof. Kuria Thuo -Deputy Vice Chancellor, Administration and Finance
- iii. Dr. Eglay Tsuma- Registrar Administration
- iv. CPA Jared Rading – Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Masinde Muliro University of Science and Technology, on 12<sup>th</sup> June 2024.

### **3.75 Audited statements for financial year 2018/2019- Qualified Opinion**

#### **3.75.1 Inaccuracy of the Statement of Financial Position**

1658. A review of the statement of financial position reflects cash and cash equivalents balance of Kshs.349,924,329. However, a review of the bank reconciliation statements for the month of June, 2019 reflected unpresented cheques on two (2) bank accounts totaling Kshs.30,596,780 that have remained un-cleared for over six months and were therefore stale, yet they had not been reversed in the cash books.

1659. Further, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.25,107,549 in respect of outstanding imprests.

1660. However, examination of imprest records reflects outstanding imprest amount of Kshs.13,674,311 resulting to an unreconciled and unexplained difference of Kshs.11,433,238.

1661. In addition, and as disclosed under Note17 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.617,248,475. The balance includes student debtors of Kshs.587,624,473 which differ with the supporting schedules balance of Kshs.1,475,306,534 resulting into an unreconciled variance of Kshs.887,682,061.

1662. In addition, the students fee summary report reflected a balance of Kshs:1,510,988,707 resulting into an unexplained variance of Kshs.923,364,233. The statement also reflects refundable deposits from customers balance of Kshs.388,455,491. The balance includes prepayments of Kshs.236,383,906 which differs with the supporting schedules of Kshs.239,414,327 resulting into an unreconciled balance of Kshs.3,030,421.

#### **Management Response**

1663. The variance in different accounts of Kshs.87,863, Kshs.4,066,830 and Kshs.26,529,950 totalling to Kshs 30,596,780 *to give breakdown* was corrected and a bank reconciliation report prepared to show the correction in the month.
1664. The management analyzed the outstanding imprest of Kshs 25,109,549 *reconciliation schedule to be provided* which consisted of verified outstanding imprest of Kshs 13,674,311 and unreconciled difference of Kshs 11,433,238. The unreconciled difference of Kshs 11,433,238, was as a result of cancelled imprest which refused detach from the ledger. Management worked with the vendor of ERP system and corrected the figure. We have attached an imprest report showing that the amounts had been dropped.
1665. The variance of Kshs 887,682,061 is duly disclosed by way of reconciliation in note 17. This follows the approval of council to correct errors which were part and parcel of the gross figure of Kshs 1,475,306,534. After the error correction the correct closing student debtors balance was Kshs 587,624,473 which is disclosed in financial statement under note 17. We have attached Council minutes to support this correction.
1666. The student fee summary report is a basic report that is not integrated with the general ledger and as such is only used for management decision making and not Financial Reporting. We have attached the first and last page of the student ledger from ERP to support the figure disclosed in the report.
1667. The supporting schedules given of Kshs.239,414,327 is a basic report that is not integrated with the general ledger and as such used for management decision making and not Financial Reporting. The figure of Kshs 236,383,906 in the Financial Statement is the correct figure originating from the general ledger.

***Committee observation***

1668. The Committee observed that the matter is resolved as management supported the variance of Kshs.887,682,061 and 923,364,233. Further, a verified schedule of Kshs. 239,629,427 and a reconciliation schedule indicating the correction to Kshs 3,245,521 was also provided.

### **3.75.2 Unsupported Expenditure in the Statement of Financial Performance**

1669. Statement of financial performance reflects expenditure amounting to Kshs.214,863,570 under general expenses. The balance includes expenditure on fuel amounting to Kshs.4,656,506 but motor vehicle records indicating how the fuel was utilized between August, 2018 and May, 2019 was not corroborated by entries in the work tickets and details of the vehicles. Management did not also provide tender documents including the contract agreement for the supply of fuel.
1670. Further, as disclosed under Note 13 to the financial statements, the statement of financial performance reflects an amount of Kshs.401,705,531 under academic (teaching, research and extension) which constitutes an amount of Kshs.30,349,534 in respect of donor funded research expenses. The balance includes payments totaling to Kshs.9,441,694 which were spent through imprests to individuals mainly as stipends and other project activities that were not adequately supported. It was noted that cash was paid to individuals directly and not through their respective bank accounts.
1671. In addition, the statement of financial performance reflects an amount of Kshs.36,446,649 in respect of provision for bad debts for non-performing debts for students who have since graduated. However, Management did not indicate how this balance was derived or provided the policy on provision for bad debts.

#### **Management Response**

1672. Management observed that, fuel consumption as per the work tickets is at variance with the figures given by the auditors. The payment of fuel variance of Kshs 4,656,506, between August, 2018 and May, 2019, relates to fuel drawn to fuel the Generators.
1673. Currently, we have enhanced controls in consideration of audit observations and to date all payments, invoice and work tickets are properly updated and aligned to clear casting variance's that existed.
1674. All requests for payments for university staff undertaking official activities are made via imprests to their bank accounts through the Quick pay platform operated at Kenya Commercial Bank. These payments were well provided for in the specific grant/projects' agreements. The schedule of all Quick pay payments made for Kshs. 9,441,694 to show they were all routed through bank accounts were attached.

1675. Kshs.36,446,649 is a makeup of outstanding fees for students who graduated with fee balances. Considering that most had collected their certificates, there was little possibility of collecting the monies owed by them. The schedule with the student data and MMUST financial manual and procedures to show the basis of the provision was also attached.

***Committee observation***

1676. The Committee observed that the matter is resolved as management justified the fuel expenditure and schedules amounting to Kshs. 4,656,506 was verified as fuel for the generator.

1677. The Committee observed further management supported the imprest surrender documents of Kshs.9,441,694. A verified schedule of Kshs.36,446,649 and the university financial regulation policy and procedures manual were also provided.

**3.75.3 Unexplained Prior Year Adjustments**

1678. The statement of changes in net assets reflects accumulated revenue deficit balance of Kshs.452,716,091. The balance was arrived at after a prior year adjustment of Kshs.680,011,773. However, Management did not provide supporting documentation in respect of the prior year adjustments for audit review.

1679. The figure of Kshs 452,726,091 is accumulated revenue reserve for the period ending 30<sup>th</sup> June 2019. The following table shows composition for the same.

1680. Kshs 680,011,773 represents prior year adjustments that were done through approval of council. Support documents were provided to show prior adjustments and explanations given.

1681. IPSAS 3 Accounting policies, changes in accounting estimates and errors and IPSAS 14 Events after the reporting period, both allow for correction errors when they are detected. The University has so far made adjustments to correct errors in the financial system amounting to Kshs. 601,157,570 out of Kshs. 861,071,179 that had been flagged out during reconciliation as errors to be corrected.

***Committee observation***

1682. The Committee observed that the matter is resolved as management supported the variance of Kshs.680,011,773 with documents and schedules.

**3.75.4 Unsupported Adjustments of Cash and Cash Equivalents**

1683. The statement of cash flows reflects closing cash and cash equivalents balance of Kshs.349,924,329. The balance was adjusted due to variances in cashbook, ledgers and bank balances of Kshs.13,083,412 as disclosed under Note 31 to the financial statements and adjustment for bank reconciliation suspense of Kshs.4,665,700 as indicated under Note 32 to the financial statements. However, the stated adjustments are not supported with the necessary documentations or explanations.

**Management response**

1684. The variance of Kshs. 13,083,412 is the difference between the cashbook balances and the bank balances and they are reconciling items as indicated in the reconciliation reports for each bank account as indicated in note 31 and table below. We have availed the bank reconciliation reports for 30th June 2019 for further review. The Kshs. 4,665,700 is a reconciliation suspense arising from the statement of cash flows.

**Committee observation**

1685. The Committee observed that the matter is resolved as a verified extract of financial year statements showing reinstatements which cleared the amount of Kshs.4,665,700.

**3.75.5 Delay in Implementation of the Proposed Tuition Block**

1686. Management awarded a tender for construction of a tuition block to a construction firm in June, 2016 at a contract sum of Kshs.139,266,420 for a period of 52 weeks between 21 June, 2016 and 20 June, 2017. The contract sum was later varied to Kshs.167,284,573 and completion date extended to 27 March, 2018.

1687. At the time of audit in September, 2019, the work was still not complete and the contractor was still on site. No reason was provided for the delay in project completion and the Management did not indicate the measures being taken to have the building completed and put to use.

**Management response**

1688. The university ensured compliance with all provisions of the contract to ensure that the University got value for money.

1689. The Project under review was completed and put to use. The hand over reports, certificate of practical completion, proof of surcharge for liquidated damages and payment for final Retention are attached.

### ***Committee observation***

1690. The Committee observed that the matter is resolved as the handover reports, Certificate of Practical Completion, Proof of Surcharge for liquidated damages and payment for final Retention were provided and verified by the Office of the Auditor General.

1691. The Committee observes further that the photographs of the building were also provided.

### **3.75.6 Compliance with law on Ethnic Diversity**

1692. Review of staff data revealed that the University had one thousand and eleven (1,011) permanent employees out of whom six hundred and forty-nine (649 or approximately 64% are from the dominant community in the county. This is contrary to Section 7(10 and (2) of the National Cohesion and Integration Act, Cap.7N which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

#### **Management response**

1693. Management wishes to clarify that efforts have been on since this law came into effect to reduce the impact of dominant community in the employment at the University. Diversity has been achieved in top management and this will continue in other segments of the University. It is worth noting that the lower cadre of the staff were employed before the enactment of this law and we are doing everything possible to ensure that replacements reflect diversity of our country and its people.

1694. Due to staff mobility the ethnicity distribution of staff from the dominant Luhya Community as at August, 2023 was 64.34%. This shows a slight reduction from 67% before August, 2023.

1695. An analysis of the last three new recruitments from the Financial Years 2020/2021, 2021/2022 and 2022/2023 shows the distribution of the dominant tribe at 43.39%. This includes recruitment of Ogiek, Barjun and Borana communities.

### ***Committee observation***

1696. The Committee observed that the University had made slight improvements in ensuring ethnic compliance by the institution. The university has however not provided a justifiable action plan to ensure the institution is fully compliant.

### ***Committee recommendation***

1697. The Committee recommends that the university must make deliberate efforts to ensure they are fully compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires all public institutions to reflect the face of Kenya in its workforce.

### **3.75.7 Non-Conformity to a Third Basic Rule Policy**

1698. Review of the payroll for the month of June, 2019 revealed that two hundred and thirty five (235) employees earned less than a third (1/3) of their respective gross basic salaries. This is contrary to Section 19 (3) of the Employment Act.

#### **Management Response**

1699. Management informed the staff affected by this requirement to make adjustments in order to comply with it. Going forward the enforcement of the rule will be upheld to ensure that all staff comply. This has since been adhered to as per attached personnel data. Memo and system configured to cap non-conformity.

#### **Committee observation**

1700. The Committee observed that the matter is resolved as management has taken the necessary action to address the issue.

### **3.75.8 Non-Adherence to Occupational Safety and Health Act (OSHA)**

1701. Although the University has mainstreamed the requirements of the Occupation Safety and Health Act (OSHA), Cap. 236A, under Section L.2 of Human Resource Policies and Procedures Manual, the Standing Committee on OSHA was not functional and the University was not following up the matters pertaining to the requirements of OSHA. The minutes of the committee meetings; and safety and health audit reports were not provided, for audit review, contrary to Section 11(1) of the Occupational Safety and Health Act, Cap. 236A which requires that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor.

#### **Management response**

1702. Management has activated the OSHA committee which is already ensuring compliance with the requirements of the law.

#### **Committee observation**

1703. The Committee observed that the matter is resolved as the OSHA committee is in place as evidenced by the appointment letters and sample minutes of the committee.

### **3.75.9 Lack of Annual Environmental Audit Report**

1704. During the year under review, no follow-up reports were made on Environmental Impact Assessment Reports for the University projects that have been undertaken. This is contrary to Regulation 34(1) of the Environmental (Impact Assessment and Audit) Regulations, 2003 which states that in executing a project, after the environmental impact assessment study report has been approved by the Authority.

1705. Further, there was no environmental audit report to show that an annual environmental audit was undertaken during the year as required by the Environmental Management and Coordination Act (EMCA) Regulations.

#### **Management Response**

1706. Management procured a service provider to conduct the audit on projects as required.

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

1707. The Committee observed that the matter was resolved as the final Annual Environmental Audit report was provided and verified.

### **3.75.10 Negotiated Fees on Petitions**

1708. During the year under review, a law firm was paid Kshs.6,909,512 in respect of negotiated fee on petitions. Information available indicated that the initial fee amount as per the legal fee notes was Kshs.17,518,888 which was negotiated to Kshs.10,000,000.

1709. However, Management did not avail supporting documents such as negotiation committee minutes, appointment, approval or how the amount was arrived at.

#### **Management Response**

1710. Management agrees with audit observation subsequently the management has a negotiated with committee being in place. For future ensure that all future negotiations are properly conducted through appointment of a committee and proper minutes of proceedings kept to support decision making.

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

1711. The Committee observed that the matter is resolved as the negotiation committee was established on 3<sup>rd</sup> March 2020 in line with Section 128(1) Public Procurement and Asset Disposal Act, Cap.412C.

#### **3.75.11 Inaccurate Personnel Records**

1712. It was noted from the payroll records that forty-one (41) members of staff did not have Kenya Revenue Authority Personal Identification numbers, twelve (12) had duplicate PIN numbers and one hundred and four (104) had wrong PIN pattern. In addition, one hundred and seventy-seven (177) staff did not have both National Social Security Fund and National Hospital Insurance Fund numbers.

##### **Management Response**

1713. The Management has requested the concerned staff to update their KRA Pin, NSSF and NHIF numbers so that the same can be corrected in the payroll system. This has been corrected in the system.

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

1714. The Committee observed that the matter is resolved as management has provided tangible evidence to prove that this has been corrected including KRA pin and NSSF numbers of affected staff.

#### **3.75.12 Weak Information Technology (IT)**

1715. Review of a new Enterprise Resource Planning (ERP) system revealed that some vital modules had not been activated while the ones activated had multiple challenges although the contract implementation period had already expired. Further, no documented ERP risk assessment had been done.

##### **Management Response**

1716. Management ensured that all acquired modules are in use. In addition, the Management created backup and data recovery services to ensure business continuity in case of system breakdown.

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

1717. The Committee observed that the matter was resolved as an approved ICT policy was provided and verified. Management also provided evidence of log-ins from the ICT department.

### **3.76 Audited financial statements for financial year 2019/2020- (Qualified Opinion)**

#### **3.76.1 Unsupported Bad Debts Write-off**

1718. The statement of financial performance reflects a restated comparative balance of Kshs. 248,314,369 in respect to operating surplus during the previous year. The restatement is explained to have been caused by reversal of bad debts amounting to Kshs. 36,446,649 that had been previously provided for as it was not possible to pass journals in the system. This resulted in the operating surplus/deficit being restated from Kshs. 212,233,625 to Kshs.248,314,369 as disclosed under Paragraph 5 of Note 42(a). In practice, specific bad debts provided for can only be written off when specific debts earlier on provided for have been collected in total.

1719. However, no documentary evidence was provided to ascertain whether the bad debts of Kshs.36,446,649 previously provided for were collected in total during the year.

#### **Management Response**

1720. Management restated the 2018/2019 figures in the financial report and statements for the financial year 2019/2020 reflect as per audit observation, the same is shown in note 42 of the same financial statements. These changes included the earlier provided bad debts that were now dropped of Kshs.36,446,649 thus increasing the declared surplus to 248,314,369.

1721. We note that the University did not write off any bad debt as indicated in the report but made a provision for bad debts pursuant to item 6.4 of the MMUST Financial Regulations. The debtors register still contains the names and amounts owed by all students.

#### **Committee observation**

1722. The Committee observed that the matter is resolved as management provided additional documents, including the support schedule, and there is currently in place a new financing scheme by HELB.

#### **3.76.2 Unsupported Provision for Bad Debts**

1723. As disclosed under Note 20 to the financial statements, the statement of financial position reflects receivables from transactions balance of Kshs.1, 046,343,940. The balance includes provision for bad debts amount of Kshs.22, 488,108. However, the provisions were not supported with specific schedules of debts provided for.

### **Management Response**

1724. The breakdown for the provision of Kshs. 22,488,108 included in receivables for the year is as follows:

- i. Kshs 1,061,634 is the difference that relate to under provision in the previous year. Between the total amount owed by graduated students with balance was Kshs 37,508,283 and the provision of Kshs 36, 446,649. Attached is the schedule to show the details.
- ii. Kshs 10,164,970 relates to 25% of the total amount owed by graduated students for FY 2019/2020 amounting to Kshs 40,659,883. Attached is the schedule showing the details and Finance manual as evidence in regard to the rates used.
- iii. Kshs 11,261,501 relates to 100% full provision of the amount owed due from old students (the students registration numbers dates shows that the years relates to graduated groups in the prior years)

1725. A basis for provision is provided in the MMUST finance regulations and procedure manual.

### ***Committee observation***

1726. The Committee observed that the matter is resolved as the schedules for the provision of bad debts were provided and verified

### **3.76.3 Unsupported Expenditure for Fuel**

1727. During the year under review, Management entered into an arrangement for the supply of fuel worth Kshs. 9,926,537. However, Management did not avail contract agreements for the fuel consumed with the vendor. Fuel consumed worth Kshs. 3,732,051 was not supported with documents such as motor vehicle tickets and detail orders

### **Management Response**

1728. Management availed vendor service agreements contract for the fuel consumed with the vendor amounting to Kshs.3,732,051 including the supporting motor vehicle work tickets and order detail for review.

1729. Additionally, we attached detailed analysis of fuel paid for and consumption through the work tickets. We hope this clarify and confirm that payments relate to the fuel consumed. Please note that part of fuel consumed is for energy supply from the generators which don't have work tickets. We have attached the documents.

### ***Committee observation***

1730. The Committee observed matter is resolved as the requisitions, approvals for fuel withdrawals, Payment vouchers and summary schedule for Kshs.3,732,051 were provided and verified.

### **3.76.4 Budgetary Control and Performance**

1731. The budget and actual on comparable basis of Kshs. 3,566,402,631 and Kshs. 3,359,758,492 respectively, resulting to under-funding of Kshs. 206,644,139 or 6% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 3,566,410,000 and Kshs. 3,063,804,961 respectively resulting to an under-expenditure of Kshs. 502,605,039 or 14% of the budget.

#### **Management response**

1732. The approved budget was not realized in full both in terms of revenue and expenditure for FY 2019/2020 due to the health pandemic caused by COVID-19 in March 2020. The pandemic disrupted all the planned activities of the University to the extent that all planned revenues were not fully realized.

1733. However, in the subsequent years, the absorption rate went up such as 93% in FY 2022/2023.

### ***Committee observation***

1734. The Committee observed that the matter is resolved as the justification provided is reasonable and there has been a discernable improvement in the budget absorption rate, rising from 86% to 93%.

### **3.76.5 Unresolved Prior Year Matters**

1735. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all the issues contrary to provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular. Although the Management has indicated that some of the issues have been responded to, the matters have remained unresolved as Parliament has not deliberated on the same.

### **Management response**

1736. The issues on FY 2018/2019 had not been discussed in parliament as observed in the audit of FY 2019/2020. Management has made effort and resolved them and present the resolutions for consideration by Parliament.

### **Committee observation**

1737. The Committee observed that the university has made deliberate efforts to address the issues both internally and externally.

### **Committee recommendation**

1738. The Committee recommends that the university must comply with Section 31 Public Audit Act, Cap.412B by resolving prior-year audit issues in line with the Audit circle

1739. The Committee recommends that the institution should further liaise with the Office of the Auditor General to ensure the officers charged with the preparation of the financial statements receive sufficient training and capacity-building.

1740. The Committee recommends further that the National Treasury being the custodian/secretariat of the Public Sector Accounting Standards Board should at all times ensure there is complete compliance to the IPSAS standards of reporting issued from time to time by the Board.

### **3.76.6 Non-Compliance with Law on Ethnic Composition**

1741. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.76.7 Non-Compliance with the One third of Basic Salary Rule**

1742. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.76.8 Irregular Engagement of Part-Time Lecturers**

1743. During the year under review, the University engaged a total of one thousand one hundred and sixty (1,160) part-time teaching staff at different departmental levels. A review of the human resource employee list provided for audit review dated 23 October, 2020 revealed that Management did not provide supporting documents such as advertisement for recruitment of part-time teaching staff. Further, the University did not comply with the Part-Time Staff

Management Policy requirements on course allocation where departmental heads and part-time teaching staff were allocated more than 3 courses per semester.

1744. Consequently, Management is in breach of the Policy.

**Management response**

1745. Management noted the observation done on recruitment and engagement of part-time lecturers. However, the university has streamlined the recruitment of part-time lecturers in full compliance with the policy in place except for justifiable requests. And management wishes to confirm that all recruitment done for part-time for FY 2021/2022 were done as per policy.

1746. Management has also ensured that the policy on course allocation is followed to the letter.

**Committee observation**

1747. The Committee observed that the matter is resolved as management provided a sample of current course allocation for two departments to show compliance and copies of the advertisement done, shortlisting process and appointment letters done for FY 2021/2022.

**3.76.9 Late Remittance of Employees National Social Security Fund (NSSF) Deductions**

1748. During the financial year under review, the University paid penalties of Kshs. 32,110,568 for late remittance of employees NSSF deductions. The penalties relate to the years 2008 to 2019. This is contrary to Section 19(4) of the Employment Act, Cap. 227 which requires employers to remit the amounts deducted during the period they are made.

1749. There is also no evidence of any disciplinary action taken against any officer(s) who may be culpable on the loss of public resources.

**Management response**

1750. The NSSF deductions of Kshs. 32,110,568 substantially related to contributions for staff for periods between 2008 and 2013 which were never deducted from staff due to the fact that they were already contributing to a pension scheme set up for that purpose by the employer. NSSF conducted a back duty audit from their system and demanded the amount in 2019 from the University. The Management sought legal advice from the University Legal Office which recommended for the payment to be made.

1751. The university is in full compliance with the act and its financial statement for FY 2019 and 2020 does not show any arrears owed to NSSF.

**Committee observation**

### **3.77.1 Variances between the Statement of Financial Position and Statement of Changes in Net Assets**

1777. The statement of financial position reflects balances under two items which are at variance with the corresponding balances in the statement of changes in net assets, as shown below:

Statement of Financial Position (Kshs.)	Statement of changes in Net Assets (Kshs.)	Variance (Kshs.)
Capital Development Reserves	3,697,923,963	2,298,780,220
Accumulated Revenue Reserves	258,080,393	2,556,860,603

#### **Management Response**

1778. Management corrected the error and presented the same to auditors for review. Provided is a complete set of financial statements for financial year 2020/2021 and 2022.

#### **Committee observation**

1779. The Committee observed that the matter is resolved as variances were reconciled during the audit process and the rectified financial statements were provided and verified.

### **3.77.2 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

1780. The statement of comparison of budget and actual amounts reflects total income performance difference of Kshs.95,215,315 instead of a computed amount of Kshs.345,215,315 resulting to an unexplained variance of Kshs.250,000,000.

1781. Further, total performance difference for expenditure reflects Kshs.553,295,696 while the recomputed expenditure totaled to Kshs.603,295,696 resulting to an unexplained. Variance of Kshs.50,000,000. in addition, the total expenditure amount of Kshs.2,898,195,304 reflected in the statement differs with the total expenses reflected in the statement of financial performance amounting to Kshs.2,772,253,629 resulting to an Unexplained variance of Kshs.125,941,675, 1,399,143,743 and 2,298,780,220.

#### **Management Response**

1782. Management corrected errors and presented the Statement of Budget VS actual for review.

#### **Committee observation**

1783. The Committee observed that the matter is resolved, as an extract of the Statement of Budgeted Amount vs. the Actual Amount Spent shows Kshs. 250 million under Deferred Income, which was not realized, was provided and verified.

### **Management Response**

1769. Management engaged the ICT authority for guidance and the report is presented. We have an approved ICT Policy, Strategic Plan and Data Protection Policy in place.

### ***Committee observation***

1770. The Committee observed that the matter is resolved as there are ICT Policy, Strategic Plan and Data Protection Policy in place. The institution also provided evidence of a training program for IT staff.

### **3.76.14 Cancellation of Accounting Records**

1771. Review of University's cash books and general ledgers revealed that there were cancelled receipts amounting to Kshs. 463,345,636 (14% of total revenue) and cancelled payments amounting to Kshs. 575,688,059 (20% of total expenses). There were journal entries (debits) amounting to Kshs. 25,795,783 and journal entries (credit) amounting to Kshs. 67,023,063.

1772. The cancellations contravene Regulation 103(2) of the Public Finance Management (National Government) Regulations, 2 which stipulates that journal vouchers shall be supported by sufficient explanations, authorizations and documentation to facilitate accounting. Numerous cancellations of financial statements could easily lead to inaccurate and unreliable financial statements or fraudulent transactions.

### **Management Response**

1773. Management clarifies that the cancellations for the receipts were approved by Council to correct billing errors that were identified, through reconciliation of student debtors.

1774. The cancellation of payment vouchers was as a result of technical printing errors on cheques from the ERP system which has since been corrected. The journal vouchers are properly documented and approved by the Finance Officer after verifying the proposals from the respective accountants.

1775. We have availed the Council approvals, cancelled cheque register and schedules of approved journal vouchers for audit review and consideration of submitted evidence.

### ***Committee observation***

1776. The Committee observed that the matter is resolved as the council approvals, cancelled cheque register and schedules of approved journal vouchers were provided and verified.

### **3.77 Audited statements for financial year 2020/2021- Qualified Opinion**

allowed to graduate. This is contrary to section 6.3.2 of the University's Financial Regulations and Procedures which require that all students must clear their outstanding accounts by the 5<sup>th</sup> week of the semester, and any student who shall not have settled all fees after that period shall automatically defer the semester.

1761. Consequently, the Management is in breach of the University's Financial regulations and Procedures.

#### **Management Response**

1762. Management admits that quite a number of students graduated without clearing their school fees. However, several strides have been made to recover the monies from the students before collecting their certificates. Management is working on modalities to achieve 100% collection through a credit control policy.

1763. The Management has since implemented strict controls to avert similar occurrences in the future.

#### **Committee observation**

1764. The Committee observed that the matter is resolved as the university has established a policy on withholding of certificates until the student school fees is cleared. Management has collected Khs.3,631,194 representing 41% of the original amount owed.

#### **Committee recommendation**

1765. The Committee recommends that the University should adhere to section 6.3.2 of the University's Financial Regulations and Procedures which require that all students must clear their outstanding accounts by the 5<sup>th</sup> week of the semester.

#### **3.76.12 Weaknesses in the Payroll Controls**

1766. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

#### **3.76.13 Weakness in Information Communication Technology (ICT) Controls**

1767. Examination of the ICT systems and structures revealed that the University did not have approved IT strategic plan to provide guidelines to Management on implementing IT related issues while the installed fire suppression system at the server rooms was faulty.

1768. Further, there was no proof of training programs undertaken by the IT staff, hence users' skills are not being upgraded to meet the changing trends within the organization.

1752. The Committee observed that the matter is resolved as management provided documentation including the evidence of the NSSF payment in full

### **3.76.10 Co-operative Bank Debt**

1753. As discussed under Note 41 to the financial statements, the Management has lodged a claim against a commercial bank in respect to disputed reversal transaction effected by the bank in the University's bank account in the year 2012 that led to loss of Kshs. 18,279,389.

1754. However, review of the internal audit reports and various correspondences with the bank revealed that the matter is yet to be settled.

1755. Management has not explained further the action it intends to take to recover the funds given this matter has been outstanding for long.

#### **Management Response**

1756. Management is continually pursuing the matter with the intention of full recovery of the amount. The bank has given a proposal to share the loss equally but the University has declined the proposal. The Legal officer has given his legal opinion on the same and the University is taking legal action to recover the lost funds. The University council has directed that full legal process be initiated and followed through to recover the lost funds with Cooperative banks.

1757. The delay in closing this matter was occasioned by lack of consistent legal officer to pursue the matter and the university management didn't have substantive officers for a long time which made it difficult to get appropriated legal attention, advised and guidance on the same

1758. We have attached the latest correspondence confirming the ongoing recovery engagements with the bank.

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

1759. The Committee observed that the matter is resolved as the Co-operative Bank paid Kshs.19,332, 900.00, which is the full amount owed to the University plus the interest accrued, on 13/06/2024.

### **3.76.11 Graduate Debtors**

1760. The University's graduation list for the year 2019 indicated that one hundred and ninety - three (193) students who owed the University a total of Kshs. 8,968,848 in fees arrears were

### **3.77.3 Refundable Deposits from Customers**

1784. The statements of financial position reflect a balance of Kshs. 407,486,249 for refundable deposits from customers as disclosed in Note 27 to the financial statement. However, ageing analyses for the six (6) items were not provided for audit.

1785. In the circumstances, the accuracy and completeness of the balance of Kshs.407,486,249 could not be confirmed

#### **Management Response**

1786. Manual aging reports are available for the period ending 30<sup>th</sup> June 2023. The ERP supplier has been petitioned to automate the aging of the following items;

- i. Prepayments
- ii. Direct deposits
- iii. Caution money
- iv. HELB
- v. CDF
- vi. Any other fund in this category

1787. Manual schedules and communication to the vendor on the same were attached

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

1788. The Committee observed that the matter is resolved as the summary showing the various sub-items and the schedules showing the aging analysis for 2021 were provided and verified.

### **3.77.4 Unsupported Expenditure on Repairs and Maintenance**

1789. The statement of financial performance reflects an amount of Kshs.18,921,790 for repairs and maintenance expenses as disclosed in Note 12 to the financial statements. However, procurement and stores records, including tender/quotation documents, evidence of advertisements, evaluation reports/minutes, delivery notes, requisitions, stores receipts, issues records and stores ledgers for items valued at Kshs.8,690,124 were not provided for audit.

1790. In the circumstances, the repairs and maintenance expenditure of Kshs.8,690,124 could not be confirmed

#### **Management Response**

1791. The documents were provided for review.

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

1792. The Committee observed that the matter is resolved as payment vouchers with the relevant supporting documents were provided and verified.

### **3.77.5 Unconfirmed Cash and Cash Equivalents**

1793. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.77.6 Budgetary Control and Performance**

1794. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.77.7 Staff Ethnic Diversity**

1795. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

### **3.77.8 Un-surrendered Imprest**

1796. The statement of financial position reflects a balance of Kshs. 81,972,770 for receivables from non-exchange transactions as disclosed in Note 21 of the financial statements. The amount includes a balance of Kshs. 31, 972,770 being outstanding staff imprests. This is contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations, 2015, which Report of the Auditor-General on Masinde Muliro University of Science and Technology for the year ended 30 June, 2021 provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) days after returning to duty station. In the circumstances, management was in breach of the law.

#### **Management Response**

1797. All the outstanding imprests had been surrendered as per their scheduled surrender dates. Those who had not complied were recovered.

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

1798. The Committee observed that the matter is resolved as the payroll extract of all recoveries for the outstanding imprests totalling to Kshs. 31, 972,770 were provided and verified. Recovery through the payroll of Kshs.626,414 was also provided.

### **3.77.9 Lack of Risk Management Policy**

1799. Review of the University's risk management framework revealed that there was no Risk Management Policy Framework to guide in identification, assessment and mitigation of risks.

This is a contravention of the provisions of Regulation 165(1) of the Public Finance Management (National Governments) Regulations, 2015 which outlines the role and responsibilities of Accounting Officers in respect to risk management.

1800. In the absence of Risk management Policy the University lacks a blue print for identifying, preventing and mitigating against risks to ensure that its operations are not interrupted in case of unforeseen event

#### **Management Response**

1801. Policy approved by University Management Board awaiting Council approval.

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

1802. The Committee observed that the matter is resolved as the Zero draft for the Risk Management Policy Framework has been developed and is awaiting approval by the Council.

### **3.78 BUSHIANGALA TECHNICAL TRAINING INSTITUTE**

1803. Ms. Lucy Muhavi, The Principal, accompanied by;

- i. Ms. Emily Ashihundu – Finance Officer
- ii. Dancan Makumba- Procurement Officer
- iii. Claudia Arunga- ICT
- iv. Evans Miheso Mwachi- Human Resource Officer

Appeared before the Committee to adduce evidence on the audited accounts of Bushiangala Technical Training Institute, on 19<sup>th</sup> June 2024.

### **3.79 Audited statements for financial year 2019/2020- Adverse Opinion**

#### **3.79.1 Accuracy of Financial Statements**

1804. The statement of financial performance reflects revenue from exchange transactions amounting to Kshs.15,384,373 for the comparative year. However, the prior year financial statements for 2018/2019 reflect a balance of Kshs.15,446,396 resulting to an unreconciled variance of Kshs.62,023.

1805. The statement of cash flows reflects a payment to creditors and payments received in advance amounting to Kshs.7,120,748 and Kshs.304,440 respectively as disclosed in Note 28 to the financial statements. However, the statement of financial position reflects change in trade and other payables and a change in payments received in advance totaling Kshs.3,997,069 and Kshs.98,905 respectively. The variance of Kshs.3,123,679 and

Kshs.205,553 for change in trade and other payables and change in payments received in advance was not reconciled.

1806. The statement of cash flows did not include adjustments for working capital changes for inventory and receivables from exchange and non-exchange transaction amounting to Kshs. 420,950 and Kshs. 7,854,749, respectively.

1807. The statement of financial position reflects total assets amounting to Kshs. 257,728,509 and total liabilities and reserves amounting to Kshs. 257,778,509 resulting to a variance of Kshs. 50,000 hence the statement is unbalanced.

### **Management Response**

1808. We agree with your observation that the statement of financial performance reflected amount of Kshs.15,384,373 as revenue from exchange transaction while the prior Year Financial statement for 2018/2019 reflects Kshs.15,446,396 on the same resulting to a variance of Kshs.62,023. We confirm that this was a typing error on the composition items of the revenue from exchange transaction and not a variance. i.e., revenue from rendering services typed as Kshs. 10,705,599 instead of Kshs.10,767,622. We confirm that the statements were corrected;

1809. In the Cash flow statement Kshs. 7,120,748 was the total amount paid to creditors. This included Kshs. 2,446,385 paid to the Contractor for Library Complex and Kshs. 4,674,363 paid to recurrent creditors. Kshs. 304,440 was not part of Kshs. 7,140,748. We also confirm that Kshs. 3,819,849 was the total change in trade payables as per the statement of financial position for the year ended 30<sup>th</sup> June 2020.

1810. To date we confirm that we have improved in our presentation of the financial statements. We also confirm that the statement of financial position as at 30<sup>th</sup> June 2020 had total assets amounting to Kshs. 257,728,509 and not Kshs. 257,778,509.

### ***Committee observation***

1811. The Committee observed that the matter is resolved as the amended statements and payment vouchers were provided and verified by the Office of the Auditor General. This was, however, done outside the Audit cycle.

### **3.79.2 Lack of Land Ownership Documents.**

1812. The statement of financial position reflects property, plant and equipment balance of Kshs. 216,595,411 as disclosed in Note 22 to the financial statements which includes land valued at Kshs. 3,225,000. However, one (1) parcel of land owned by the Institute did not have a title deed.

**Management Response**

1813. We agree with your observation that our financial statement reflected the value of the Institute land was Kshs.3,225,000. We also confirm that the amount was the total value of Seven (7) parcels of land. The College has acquired title deeds for Six (6) parcel No: Kakamega/ Shikulu /1463 measuring 1.0 acres. The parcel was purchased by Ikolomani CDF and the Institute was the beneficiary. Currently, the land is under dispute because the seller has declined to process the transfer. Efforts are being made by the Institute through Ikolomani CDF to have the title deed processed.

**Committee observation**

1814. The Committee observed that the copies of title deeds of 6 parcels of land LR No. 1449;1447;1446;1450;1460; and 1436 and the Sale agreement and confirmation from the Area Chief were provided and verified by the OAG.

1815. The Committee observed that the land of parcel number LR1463 measuring 1.0 Acres is still disputed and no title deed has been obtained so far.

**Committee recommendation**

1816. The Committee recommends that the Accounting Officer should follow up with Ikolomani CDF to expedite the process and ensure that the title is secured within three months of the tabling of this Report.

**3.79.3 Unconfirmed inventory Balance.**

1817. The statement of financial position reflects inventory balance of Kshs. 471,477 as disclosed in Note 21 to the financial statements. However, quarterly and annual stock taking procedures were not performed during the year and review of the store record showed that the bin cards did not indicate the amounts and quantities purchased.

**Management Response**

1818. At the time of the audit, we had done stock-taking in one department. We have since initiated stock-taking both quarterly and annually in all departments.

### ***Committee observation***

1819. The matter is resolved as the verified bin cards, stock-taking reports and memorandum were provided.

### **3.79.4 Unsupported trade and other payables from exchange transactions**

1820. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.7,516,132 as disclosed in Note 24 to the financial statements. However, creditor's ledgers in respect of supplier's records and invoices were not provided for review.

#### **Management Response**

1821. We agree that we reported Kshs.7,516,132.00 as trade payables in our financial statement for the year ended 30th June 2020. We also provided a schedule of all creditors details in terms of goods/services supplied and the amount owed to each supplier as reflected in our Annual Report and Financial Statements for FY 2019-2020.

1822. In addition, the institute had an ERP based on cash system which was later updated to accrual to assist in management of trade payables. We confirm that the reported figure actually referred to all payables as at 30th June 2020. We confirm that the institute has installed a good ERP system which produces proper records for payables.

### ***Committee observation***

1823. The Committee observed that the matter is resolved as the Creditor's list, statement of financial position (balance sheet) and sampled creditors ledger for the subsequent year. There was, however, no breakdown of Kshs.7,516,132 in terms of individual ledgers.

### **3.79.5 Budgetary control and performance**

1824. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.106,641,364 and Kshs. 94,222,162 respectively resulting to and underfunding of Kshs. 12,419,202 or 11% of the budget.

1825. Similarly, the Institute expended Kshs.95,822,108 against an approved budget of Kshs.106,641,364 resulting to an under-expenditure of Kshs.10,819,256 or 10% of the budget.

#### **Management Response**

1826. We agree with your observation that our budget was underfunded by Kshs. 12,419,202(11%). We also agree that we expensed Kshs.95,822,108 against approved budget

of Kshs.106,641,364 resulting to under expenditure on our budget for the year under review by Kshs. 10,819,256. This was due to the following;

- i. There was outbreak of COVID 19 pandemic which led to suspension of Education and Training activities in our country. All learning institutions were closed down before end of Quarter 3 and the whole of Quarter 4. The closure resulted into reduced /non - consumption of goods and services.
- ii. Other activities like construction project could not move on due to funding which was not released by the Ministry of Education (MOE)
- iii. In addition, MOE. was to release capitation (student's fee) on Quarterly basis as tabulated below during the FY. 2019-2020 but not all the expected amount was released as tabulated below:

Quarter	No Of Students	Amount Expected	Amount Received
Q1	1458	10,935,000	6,712,500
Q2	1458	10,935,500	9,352,500
Q3	1555	11,662,500	8,032,500
Q4	1555	11,662,500	NONE
TOTAL		45,195,500	24,097,500

1827. From the above table, no capitation was disbursed in Q4. The realization of our budget was heavily affected by the external forces which included delay or failure to release capitation and COVID-19 effects which were beyond our control.

***Committee observation***

1828. The Committee observed that the verified approved budget of Kshs. 106,641,364 was provided and the explanation on the underfunding being attributed to Covid 19 is satisfactory.

**3.79.6 Unresolved Prior Year Matters**

1829. In the audit report of the previous year, several issues were raised however, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and the National Treasury and Planning Circular reference No. AG/4/16/3 Vol.1 (9) dated 24th June, 2020

### **Management Response**

1830. The previous year audit matters were addressed in the Financial Statements report as per the Auditor General recommendations.

### ***Committee observation***

1831. The committee observed the matter is resolved as that prior year audit matters have been addressed by the committee and the institution has provided an extract of the amended audited annual report and financial statements for financial year 2020/2021.

### **3.79.7 Unconfirmed Statutory Deductions**

1832. The statement of financial performance reflects employee costs amounting to Kshs. 12,124,630 as disclosed in Note 10 to the financial statements. Review of the Payroll records showed that the payroll did not capture Kenya Revenue Authority Staff Personal Identification Numbers (PIN) to support the statutory deductions payments made.

1833. Further, there was no documentary evidence that all statutory deductions including PAYE, NSSF and NHIF were remitted since there were no acknowledgment receipts from relevant authorities.

### **Management Response**

1834. We agree with your observation that employee costs amounted to Ksh.12,124,630. We also agree that the payroll did not have staff KRA pin and member no. of staff in terms of NSSF and NHIF. Despite this, we confirm that we paid all the statutory deductions and remitted to the relevant authorities.

### ***Committee observation***

1835. The Committee observed that the matter is resolved as the compliance certificates that were provided confirm that deductions were fully paid out.

### **3.79.8 Lack of ethnic diversity**

1836. Review of the staff data as at 30th June, 2020 showed that 98% of the workforce was from one dominant ethnic community.

### **Management Response**

1837. We agree with your observation that a review of the Institute's staff data revealed that one ethnic community accounted for 98% of the total staff establishment as at 30th June 2020, which is in breach of the law on diversity in staffing of public establishment which states that

no public establishment shall have more than one third of its staff from the same ethnic community.

1838. The management is committed in resolving the matter in subsequent recruitment. In addition to these our employment adverts are formally done in newspapers and other public forums so as to enforce the requirement.

***Committee observation***

1839. 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***

1840. 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. Further, the institutions should include Persons living with disabilities in their workforce.

**3.79.9 Lack of Risk Management Policy and Disaster Recovery Plan**

1841. The Institute did not have an approved Risk and Fraud Management Policy. This is contrary to Regulation 165(1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanisms and internal control that builds robust business operations.

**Management response**

1842. We acknowledge that we did not have a Risk management policy and Disaster recovery plan. However, we developed the policy and it is now in operation.

***Committee observation***

1843. The Committee observed that the matter is resolved as verified copies of the Risk Management Policy and the Recovery plan were provided.

**3.79.10 Lack of Information Communication Technology Policy**

1844. Review of the ICT environment showed that there no Approved ICT Policy, Approved IT Strategic Committee and Information Technology Continuity plan in place to enable the Institute to manage business processes for the delivery of services to the public in an effective and efficient manner.

1845. Failure to have in place ICT Policy may expose the Institute to loss of data and other key ICT assets.

**Management Response**

1846. The Management agree with your observation that there was no approved ICT Policy, Approved It strategic plan and information Technology Continuity Plan in place. We confirm that all the documents are currently in place hence compliant.

**Committee observation**

1847. The Committee observed that the matter is resolved as there are appointment letters of the committee members, minutes of the ICT steering committee dated 25th July 2022 and an approved ICT Policy Document.

**3.79.11 Lack of Approved Staff Establishment and Human Resource Policy Manual.**

1848. During the year under review, the audit showed that the Institute did not have in place an Approved Staff Establishment, Scheme of Service and Human Resource Policy Manual. The Institute may therefore face challenges in undertaking human resource functions such as recruitment, training, promotions and remuneration of its staff.

**Management Response**

1849. We acknowledge that we did not have a Staff Establishment and Human Resource Policy Manual. However, we developed the policy and it is now in operation.

**Committee observation**

1850. The Committee observed that the matter is resolved as the verified Human Resource Policy Manual was provided.

**3.79.12 Lack of an Assets Register**

1851. The statement of financial position reflects property, plant and equipment balance of Kshs.216,595,411. However, the values were not supported by up-to-date assets register, indicating the nature, dates of acquisition, cost, unique identification number, current value, current location/ user, accumulated depreciation and net book value. Consequently, the management did not comply with Regulation 143(1 & 3) of the Public Finance Management (National Government) Regulation ,2015 requiring the Accounting Officers to ensure register of assets is maintained.

**Management Response**

1852. At the time of audit, the asset register was not updated as per the columns, but we updated the asset register and captured the required information.

***Committee observation***

1853. The Committee observed that the matter is resolved as the verified Asset Register was provided.

**3.80 Audited statements for financial year 2020/2021- Qualified Opinion**

**3.80.1 Unsupported transfers from other government agencies**

1854. The statement of cash flows reflects an amount of Kshs. 22,447,018 under transfers from other government agencies which, as disclosed in Note 5 to the financial statements, includes Kshs. 8,065,800 being student loan and bursary from HELB, Kshs. 1,485,918 being bursary from constituency Development Fund (CDF) and the county Government and Kshs. 12,895,300 from the National Youth Service (NYS) respectively. However, the receipts from CDF and NYS differ from the respective total as per the support schedules of Kshs. 1,467,918 and Kshs.4,862,800. No reconciliations or explanations were provided for the variances.

1855. In the circumstances, the accuracy of the bursaries transferred from other government agencies could not be confirmed.

**Management response**

1856. We agree with your observation on note 5 in the cash flow reflecting an amount of Kshs. 22,447,018 under transfers from other Government agencies. The amount includes Kshs. 8,065,800 being bursary and loan from Higher Education Loans Board (HELB) and Kshs. 1,485,918 being bursary from Constituency Development Funds (CDF) and County Government and Kshs. 4,862,800 from National Youth Service and finally 8,032,500 being capitation grant received on 3rd July 2020 for FY 2019/2020. This amount form part of cash flows for the year 2020/2021.

***Committee observation***

1857. The Committee observed that the matter is resolved the verified bank statement, schedules for disbursements and MOE Disbursement letter were provided.

**3.80.2 Budgetary Control and Performance**

1858. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.80.3 Unresolved previous years' audit matters**

1859. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

**3.80.4 Failure to adhere to the One-Third rule on salary deductions**

1860. Review of the institute's payroll indicated that three employees earned net salaries that were below a third of their respective salaries. This was contrary to Section 19(3) of the employment Act, Cap.7N.

**Management Response**


1861. We agree with the observation that employees earned net salaries that were below a third of their respective basic salaries which was contrary to section 19(3) of the Employment Act, Cap. 226. We confirm that we instituted necessary measures that enabled the Institute to comply with the law.

**Committee observation**

1862. The Committee observed that the matter is resolved as the verified extract of the Payroll for May 2024 showing compliance was provided.

**3.80.5 Information Technology Governance**

1863. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

 <b>THE NATIONAL ASSEMBLY</b> <b>PAPERS LAID</b>	
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TABLED BY:	
CLERK-AT-THE-TABLE:	DATE: <b>25<sup>TH</sup> FEB 2026</b>

SIGNED.....

**HON. WANAMI WAMBOKA, M.P.**  
**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION**