THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 25 JUL 2024
DAY: THUR
TABLED BY: HON NAISULA LESUUDA (VICE-CHAIRPERSON)
CLERK-AT THE-TABLE: A. SHIBUKO

HARAMBEE

REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT- THIRD SESSION

THE NATIONAL ASSEMBLY

THE FOURTH 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 (NYANZA REGION) FOR THE FINANCIAL YEARS 2018/19, 2019/20 & 2020/21

DIRECTORATE OF AUDIT, APPROPRIATIONS & GENERAL PURPOSE COMMITTEES

THE NATIONAL ASSEMBLY

PARLIAMENT BUILDINGS

NAIROBI **MAY 2024**

LIST OF ABBREVIATIONS/ACRONYMS

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

CHAIRPERSON'S FOREWORD

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

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

The Committee resolved to examine the reports of the Auditor General based on the regional domicile of each agency and the nature of operations of the agency, to enable an organized schedule of hearings, countrywide. This report is the fourth report from The Committee and covers state agencies domiciled within the Nyanza 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 (20) 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 also recommends further investigations of certain matters by the relevant investigative agencies such as the EACC and the DCI. All this is geared towards ensuring the prudent use of public resources and holding all persons who have misappropriated public funds accountable, in accordance with Article 226 (5) of the Constitution.

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

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present to the 4th Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for twenty (20) State Corporations.

HON. WANAMI WAMBOKA, MP

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION

EXECUTIVE SUMMARY

The 4th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of twenty (20) 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, 2015, the Public Finance Management Act, 2012 and the attendant Regulations, the Public Procurement and Asset Disposal Act, 2015 and the attendant Regulations, the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) relevant for commercial state corporations.

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

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

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

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

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

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

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

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

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

a) Chapter Twelve of the Constitution on Public Finance

Part I-Principles of Public Finance

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

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

Part 6-Control of Public Money

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

- the accounting officer of a national public entity is accountable to the National Assembly for its financial management (Article **226(2));** and
- the holder of a public office, including a political office, who directs or approves the use of public funds contrary to law or instructions, is personally liable for any loss arising from that use and shall make good the

loss, whether the person remains the holder of the office or not (Article **226(5))**; and

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

b) The Public Finance Management Act, No. 18 of 2012

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

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

i. the Parliamentary Powers and Privileges Act, No. 29 of 2017;
ii. the Public Finance Management (National Government) Regulations, 2015;
iii. the Public Procurement and Asset Disposal Act, No. 33 of 2015;
iv. the Public Procurement and Asset Disposal Regulations, 2020;
v. the State Corporations Act, No. 11 of 1986;
vi. the Public Audit Act, No. 34 of 2015;
vii. The Fair Administrative Action Act, No. 4 of 2015;
viii. the Accountants Act, No. 15 of 2008; and
ix. the National Assembly Standing Orders

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, M.P.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon. Naisula Lesuuda, OGW, MP

Samburu West

Kenya African National Union (KANU)

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

Sotik

UDA Party

The Hon. Thuddeus Nzambia, MP.

Kilome Constituency

WDM Party

The Hon. James Wamacukuru, 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. Alfah Miruka, MP.

Bomachoge Chache Constituency

UDA Party

The Hon. Mark Mwenje, MP.

Embakasi West Constituency

Jubilee 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

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

Ms. Christine Ndiritu

Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi Fundi

Clerk Assistant III

Ms. Winny Otieno

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 III

Mr. Stephen Otieno

Sergeant at Arms

Mr. Collins Mahamba

Audio Officer

Ms. Mary Kamande

Public Communications Officer

Ms. Rinha Saineye

Media Relations Officer

1.4 Committee proceedings

4. To produce this report, The Committee held twenty-one (21) sittings in which it examined the audited financial statements of twenty- one (21) State Corporations and the accompanying Reports by the Auditor-General.

5. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, The Committee heard and received both oral and written evidence from Chief Executive Officers, Principals and Directors-General (Accounting Officers) of various State Corporations and other relevant witnesses.

6. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report on each of the State Corporations examined.

7. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments made in the governance and education sectors as a whole.

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

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

2.1 Poor accounting standards and general incapacity of some accounting officers

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

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

2.2 Late submission of supporting documentation

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

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

2.3 Unsecured/ untitled land holdings

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

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

2.4 Long outstanding construction works

12. The Committee encountered cases where construction projects in some State Corporations had taken inordinately long to complete, leading to escalating costs through accrued interest and prolongation costs.

    i. ***The Committee recommends that the National Treasury should only approve projects that it can guarantee funding and completion within the medium-term economic framework.***
    ii. ***The Committee further recommends that the said projects should be approved only when existing projects are completed to avoid lumping of stalled projects in institutions. One project at a time policy.***

2.5 Expensive consultancies

13. Related to long outstanding construction works discussed above, The Committee observed that some projects had huge components for consultancies for project conception (architectural drawings) and supervision. Considering that consultants deliver their project designs before-hand, public agencies are forced to pay them upfront, from meagre resources that would otherwise be directed towards construction. This state of affairs has been compounded by a weak public works function that would ordinarily oversee public projects.

The Committee recommends that the Ministry responsible for public works revamps the Public Works Department and employs adequate and competent staff. Moreover, certain technical institutions including the Kenya Technical Training College (KTTC) undertake technical training in public works related technical skills and may assist the

government in the management of government projects. The relevant Departmental Committee should consider amending the Public Procurement and Assets Disposal Act, 2015 to provide for first priority consideration of government agencies that have the capacity to provide certain services.

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

14. A number of institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This is a contravention of the provisions of Section 7 of the National Cohesion and Integration Act (NCIC) Act, No 12 of 2008, the Constitution under Article 10(2)(b), 27(4) and 232 (1) (I)(ii). This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from accounting officers that the lack of diversity was prevalent in the lower cadres, The Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable.

i. ***The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, No. 12 of 2008.***

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

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

2.7 Understaffing in TVET Institutions

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

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

   i. ***The Committee recommends that the Government halts the establishment of new TVETs until the existing ones are adequately equipped and upscaled.***
   ii. ***To address the disparities in resource allocation, The Committee further recommends that the sector working group targets neglected regions in order to close the resource distribution gap.***
   iii. ***The Committee also recommends that the sector working group gives priority to the TVET sector during resource allocation. They propose an increased allocation of resources to address the longstanding issue of underfunding that has hindered the growth and development of these institutions. Adequate funding would not only enable the enhancement of infrastructure and but also attract and retain highly qualified instructors, further elevating the quality of education provided.***

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS (NYANZA)

3.0 THE KISUMU NATIONAL POLYTECHNIC

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

    i) Mr. Paul Maher- Finance Manager

    ii) Mr. Milton Omollo- Supply Chain Manager

Appeared before The Committee to adduce evidence on the audited accounts of Kisumu National Polytechnic, on 14th August 2023.

Audited statements for Financial Year 2018/19

3.1.1 Accounts Payable

17. The statement of financial position reflects a balance of Kshs.54,890,190 under trade and other payables from exchange transactions which, as disclosed in Note 16 to the financial statements comprised of Kshs.42,890,190 and Kshs.12,000,000 relating to accounts payables (trade creditors) and retention fees respectively. However, the comparative amount of Kshs.37,429,376 for accounts payables differs from the amount of Kshs.23,316,383 reflected in the audited financial statements for the year ended 30 June 2018. Further, the retention fees of Kshs.12,000,000 was not supported by a bank statement and a cashbook.

18. Under the circumstances, the accuracy of the trade and other payables from exchange transactions balance of Kshs.54,890,190 as at 30 June 2019, could not be confirmed.

Management Response

19. The comparative amount of Kshs.37,429,376 for accounts payable comprises the following items in the financial statements for the year ended 30 June 2018

Accounts payable (Note 20) – 23,316,383

Amounts held for third parties (Note 21) – 14,112,993

A breakdown of the retention fees is as follows:

DamTech Enterprises (Nyakach TTI)	3,006,474.10
Ecohom Ltd (TKNP Incinerator)	114,294.80
Vaghjiyani Enterprises Ltd (Multipurpose)	8,427,557

Variance 451,674.10

20. The variance of 451,674.10 was an additional provisional amount for Vaghjiyani Enterprises based on the initial contract sum. Ksh. 8,427,557 is the actual amount that was paid to Vaghjiyani Enterprises Ltd.

Committee Observation

21. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management's response.

Committee Recommendations

22. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 (National Government) Regulations, 2015 for the National Government by providing supporting documentation on time.

3.1.2 Inaccuracies in the Statement of Budget and Actual Amounts

23. The statement of comparison of budget and actual amounts reflects a variance of Kshs.24,475,242 between the budgeted amount of Kshs.237,970,715 and actual expenditure of Kshs.251,037,724 under the use of goods and services which differs from the re-casted variance of Kshs.13,067,009. Similarly, the statement reflects a budget variance of Kshs.1,514,950 under the recurrent total expenditure instead of the re-casted variance of Kshs.9,893,283.

24. Under the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not be confirmed.

Management Response

25. Recasting error occurred in preparation of the statement of comparison of budget and actual amounts. To address the error, TKNP has an ERP system to enhance accuracy in the budget preparation process.

Committee Observation

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

Committee Recommendations

27. The Committee recommends that the Accounting Officer ensures that proper systems are put in place to ensure early detection and correction of errors.

3.1.3 Unsupported Refundable Deposits

28. The statement of financial position reflects a balance of Kshs.39,995,046 in respect of refundable deposits from customers which, as disclosed in Note 17 to the financial statements, comprised of Kshs.20,100,450 and Kshs.19,894,596 relating to student bursary and miscellaneous deposits respectively. However, the refundable deposits of Kshs.39,995,046 were not supported by a deposit claims register. Further, a separate deposit account was not maintained for the refundable deposits.

29. Under the circumstances, the accuracy and existence of the refundable deposits of Kshs.39,995,046 as at 30 June 2019 could not be confirmed.

Management Response

30. The bursary funds and miscellaneous deposits of Kshs.20,100,450 and Kshs.19,894,596 respectively are for students who were not in session during the period. The funds were subsequently allocated as students resumed their learning from attachment and/or learning break. Annex 2 is the current unallocated schedule for bursary funds and miscellaneous deposits for 2018/2019.

31. The Ksh.40,997,303 reported in the 2018/2019 financial statements was restated in the 2019/2020 financial statements to Ksh.39,995,046.

32. The management will present a council paper to the Governing Council on the Miscellaneous Clearance account balance of Ksh.19,894,596 for discussion on the treatment of this balance. The recommendation of the council paper is to consider allocating these funds to respective students and clear this amount.

Committee Observation

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

Committee Recommendations

34. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.4 Unsupported Inventory

35. The statement of financial position reflects a balance of Kshs.3,189,331in respect of inventories as at 30 June 2019. However, the stock analysis for the various categories of inventory which included cleaning material, medical supplies, stationery, and dry foodstuffs were not provided for review.
36. Under the circumstances, the accuracy and completeness of the inventory balance of Kshs.3,189,331 as at 30 June 2019 could not be confirmed.

Management Response

37. The institution provided the stock-take reports for 2018/2019 and conducts stock-take exercises on a quarterly basis.

Committee Observation

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

Committee Recommendations

39. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.5 Presentation and Disclosure of Depreciation

40. As disclosed in Note 15 to the financial statements, the Polytechnic charged depreciation of Kshs.112,500,623 on property, plant, and equipment for the first time even though the assets were in existence in previous years. However, the amount was not restated contrary to Paragraph 47 of International Public Sector Accounting Standards (IPSAS) 7 – Accounting Policies, Changes in Accounting Estimates and Errors which requires an entity to correct material prior period errors retrospectively in the first set of financial statements authorized

for the issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

Consequently, the accuracy of the financial statements as presented could not be confirmed.

Management Response

41. The Accounting officer submitted that TKNP revalued its assets in 2019 and charged depreciation accordingly. The contract agreement and the revaluation report of the property, plant and equipment was provided. Asset reconciliations are uploaded in the system on a quarterly basis to the treasury.

Committee Observation

42. The Committee observed that the matter has been rectified in subsequent audits.

Committee recommendation

43. The Committee recommends that the current principle addresses the matter and hence forth complies with International Public Sector Accounting Standards (IPSAS) 7 on Accounting Policies, Changes in Accounting Estimates and Errors.

3.1.6 Budgetary Control and Performance

44. The Statement of comparison of budget and actual amounts reflects a final revenue budget and actual revenue on a comparable basis of Kshs.373,635,369 and Kshs.287,109,231 respectively resulting in under-performance of Kshs.86,526,138 or 23%. Similarly, the Polytechnic budgeted to spend a total of Kshs.373,635,369 against the actual expenditure of Kshs.327,261,486, resulting in an overall under-expenditure of Kshs.46,373,883 or 12% of the budget. The budget deficit and under-expenditure may have reflected the planned activities of the Polytechnic.

Management Response

45. TKNP did not receive full capitation as budgeted resulting in under-performance of the budget. TKNP reviews the performance of the budget every quarter, and where there are variances, the budget is revised.

Committee observation

46. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. The capitation provided was inadequate and the universities had limited diversification options.
47. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

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

3.1.7 Unresolved Prior Year Matters

50. Various previous-year audit issues remain unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year's audit issues. Further, the unresolved prior 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.

Management Response

51. The follow-up recommendations of the Public Investments Committee are included in reports of subsequent years. Management prepares and shares a schedule on the progress of follow-up audit recommendations with the Audit, Risk and Compliance Committee.

Committee Observation

52. The prior year audit issues have been addressed by the committee.

3.1.8 Irregular Procurement of Goods and Services

53. The following irregularities on procurement of goods and services were noted:
    (i) Sports items of Kshs.356,750 were procured from a supplier who was not in the list of prequalified suppliers.

(ii) The Polytechnic incurred an expenditure of Kshs.276,000 on repairs and maintenance without raising quotations.

(iii) The Polytechnic incurred an expenditure of Kshs.499,370 on pharmaceutical and non-pharmaceutical items purchased on a cash basis.

54. In view of the foregoing, the Polytechnic was in breach of the law and may not have received value for money from the procurement of goods.

Management Response

55. The prequalified suppliers did not have the sports items purchased necessitating a direct purchase from a reputable firm where the items were available.

56. TKNP updates its list of prequalified suppliers who are sourced to make supplies to the institution.

57. The repairs and maintenance expenditure was incurred as casual wages for the works being done supervised by the Estates manager. TKNP had a work study program for students undertaking technical courses and were engaged to do repairs and maintenance activities in the institution to equip them with practical masonry skills. Casual workers used for the repairs and maintenance. TKNP uses prequalified suppliers on small works for all repairs and maintenance activities within the institution.

58. The amount of Ksh.499,370 was payment for student union activities. TKNP uses a list of prequalified suppliers who are selected to procure pharmaceutical and non-pharmaceutical items.

Committee observation

59. The Committee observes that the Finance officer and the Procurement officer were negligent in discharging their duties.

Committee recommendation

60. The Committee recommends that the procurement officer be surcharged Kshs. 356,750 and Kshs. 276,000 for the procurement irregularities, and that the finance officer be surcharged Kshs. 499,370 for the irregular expenditure.

61. The Committee recommends that management must at all times ensure compliance with the PFM Act and procurement laws

3.1.9 Audit Committee

62. Although the Polytechnic has constituted an Audit Committee of four (4) members, The Committee held only one meeting during the financial year contrary to Regulation 179 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Audit Committee to meet at least once in every three months. Further, the Audit Committee meeting minutes were not provided for audit review. In addition, the Audit Committee did not have a documented Risk Management Policy and a Risk Profile that identifies potential risks to the Polytechnic.
63. Under the circumstances, the effectiveness of the Polytechnic's internal control and risk management during the year ended 30 June, 2019 could not be confirmed.

Management Response

64. The new Governing Council was appointed in July 2019 following the end of the term of the previous Governing Council in January 2019.
65. The Risk Management Policy and Risk Profile were developed. Departmental risk registers that are updated annually are provided.
66. The ARCC currently holds meetings every quarter following official invite letters, and minutes are recorded and maintained.

Committee Observation

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

Committee Recommendations

68. The Committee recommends that the Accounting Officer must at all times ensure compliance with Regulation 179 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Audit Committee on the functions and responsibilities of the audit committee which guides them to meet at least once in every three months.

3.1.10 IT Control Weaknesses

69. Regulation 110 (1) of the Public Finance Management (PFM) Regulations, 2015 requires the Accounting Officer of a national government entity to institute appropriate access

controls needed to minimize breaches of information confidentiality, data integrity, and loss of business continuity. However, in review of IT function revealed that management had not put in place:

i. Information Technology governance controls (Strategic IT Committee and IT Steering Committee)
ii. IT Continuity Plan and Disaster Recovery Plan and;
iii. Backups were not stored in a secure offsite storage facility

70. In the circumstances, failure to develop and implement a Business Continuity Plan and Disaster Recovery Plan and establish offsite backup facilities exposes the Polytechnic to possible loss of business in the event of a disaster.

Management Response

71. IT Steering Committee has been set up, and roles are listed as per the Government ICT standards. The Strategic Committee has been set up and operationalized. The appointment letters for IT Steering Committee and the ICT Workplan was provided.
72. We intend to undertake to carry out an ICT Status Survey in the next financial year and immediately thereafter develop a comprehensive five-year ICT Strategic plan.
73. TKNP has an offsite backup with KENET (Kenya Education Network Trust). The contract with KENET for the provision of offsite backup facility was provided.

Committee Observation

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

Committee recommendation

75. The Committee recommends that the institution submits the ICT strategic plan to the OAG. Further the OAG to report on the matter in the subsequent audits.

<u>Audited statements for Financial Year 2019/2020</u>

3.1.11 Property, Plant, and Equipment

76. The statement of financial position reflects a balance of Ksh,2,476,819,672 in respect of property, plant, and equipment, and as disclosed in Note 25 of the financial statements, the

amount includes Ksh.1,075,000,000 and Kshs.9,000,000 in respect of a parcel of land and a motor vehicle respectively whose ownership documents were not provided for audit. Although management indicated that the ownership documents of the two assets had been lost, there were no efforts in place to obtain their replacement.

77. In the circumstances, the accuracy, completeness, and ownership of property, plant and equipment balance of 1,084,000,000 as at 30th June 2020 could not be confirmed.

Management Response

78. The ownership document of the parcel of land Ref Block 9/191 valued at Kshs.1,075,000,000 is available. A copy of the leasehold document owned by The Kisumu National Polytechnic was provided.

79. The original ownership document of motor vehicle registration number KCP 333K valued at Kshs.9,000,000 was misplaced but was later located. A copy of the ownership document. TKNP has an updated fixed asset register and ownership status.

Committee Observation

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

Committee Recommendations

81. The Committee recommends that the Accounting Officer must at all times ensure compliance with Regulation 139 of the PFM (National Government) Regulation 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that, responsibility of an accounting officer of a national government entity on assets. (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and (b) movement and conditions of assets can be tracked.

3.1.12 Unsupported Inventories

82. Included in the statement of financial position is an inventory balance of Kshs.2,808,206. However, an examination of the inventory schedule provided by the management revealed that the balances recorded were not supported by stock-taking notes as required. It was

further observed that the institution procured training material for various departments but the stock-taking exercise carried out at the end of the financial year under review excluded the balance of training items that were held at the Electrical & Electronics, Estates Department, Building & Civil Engineering, Department of Applied Science, Automotive, Mechanical Engineering and Garment Making Department stores. In effect, the reported inventory balance of Kshs.2,808,206 as at 30 June 2020 is understated by an unknown margin.

83. In the circumstance, the accuracy and completeness of the inventory balance of Kshs.2,808,206 as at 30 June 2020 could not be confirmed.

Management Response

84. TKNP recognize any issuance of learning materials to departments as expenses at the time of issue as per IPSAS 12 Sec 44, which states that when inventory is sold, exchanged, or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized, and when there is no related revenue the expense is recognized when the goods are distributed or the related services rendered.

85. TKNP Governing Council has a directive on the recognition of inventory as per the IPSAS stipulations. The Revised Finance Policy aligns with the requirement of IPSAS 12 on the recognition of inventory. An extract of the Finance Policy was attached.

Committee Observation

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

Committee Recommendations

87. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.13 Unallocated Funds- Refundable Deposits from Customers

88. The statement of financial position as at 30th June 2020 reflects a balance of Ksh.59,296,774 in respect of refundable deposits from customers and as disclosed in Note 24 to the financial

statements, the amount represents funds held in bursary, HELB loans and miscellaneous clearance accounts of Ksh.22,010,006, Ksh.18,020,622 and Ksh.19,266,146 respectively. There was no analysis provided to support the uncleared amounts and management has not provided any explanations as to why the amounts have remained pending as unallocated funds in the Enterprise Resource Planning (ERP) system. In addition, this amount was not represented by equivalent funds in the polytechnic's bank balance accounts.

89. In the circumstance, the accuracy and completeness of the refundable deposit balance of Ksh.59,296,774 as at 30th June 2020 could not be confirmed.

Management Response

90. The bursary funds and HELB Loans of Ksh.22,010,006 and Ksh.18,020,622 respectively are for students who were not in session during the period. The funds were subsequently allocated as students resumed their learning from attachment and/or learning break. The current unallocated schedule for HELB loans and bursaries for 2019/2020 is provided.

91. The management will present a council paper to the Governing Council on the Miscellaneous Clearance account balance of Ksh.19,266,146. The recommendation of the council paper is to consider allocating these funds to respective students and clear this amount.

Committee Observation

92. The Committee observed that the funds remain unallocated.

Committee Recommendations

93. The Committee recommends that the management allocates the funds and Office of the Auditor General reports on the matter in the subsequent audit cycle.

3.1.14 Unaccounted Imprest

94. The statement of financial performance for the year ended 30 June 2020 and as included in Note 10 to the financial statements reflects an amount of Kshs.381,009,384 in respect of the use of goods and services out of which an amount of Kshs.31,919,300 was issued in form of imprests to staff but neither recorded in the imprest register nor where the subsequent surrender vouchers recorded in the cash book and ledger as required.

95. In the circumstances, it was not possible to confirm the accuracy of Ksh.31,919,300 issued as imprest and whether it was properly accounted for and spent on activities that were beneficial to the Institution for the year ended 30 June 2020.

Management response

96. The breakdown of the unsurrendered imprest as per TKNP's financial statements of Ksh.834,750 for 2019/2020 were provided.

97. TKNP's current policy on imprest is as per Sec 93 (5) of the Public Finance Management (NG) Regulations, 2015 on surrender of imprest 7 days after the activity.

Committee observation

98. The Committee observes that Kshs. 37,800 is still outstanding, and that the Accounting Officer was responsible for ensuring compliance with Section 93(5) of the Public Finance Management (National Government) Regulations, 2015.

Committee recommendation

99. The Committee surcharges the principal a total amount of Kshs. 37,800 and recommends that henceforth comply with Section 93 (4) (c) and (5) of the Public Finance Management (National Government) Regulations, 2015.

3.1.15 Unsupported Council Expenses

100. The statement of financial performance reflects an amount of Ksh.21,324,315 and as disclosed in Note 12, the amount includes Ksh.5,538,433 paid to council members (without necessary supporting documents including minutes, calendar of activities, and attendance register). Further, an amount of Ksh.1,150,792 was paid to members over and above the approved rate of Ksh. 20,000 per member per sitting without any justification.

101. Consequently, the accuracy and completeness of the council expenses totaling Ksh. 6,689,225 for the year ended 30 June 2020 could not be confirmed.

Management response

102. The Governing Council held a meeting to discuss the Proposal for Allowances in 2019 which was approved. Minutes of the meeting, particularly Minute 9/7/19 on Proposal of

Allowances were provided. Minutes of the meetings held by the governing council in the financial year 2019/2020 were provided.

103. TKNP sends invitation letters to members of the governing council for meetings and maintains records of attendance. There is a developed almanac that guides the meetings held by the Governing Council and agenda.

Committee observation

104. The Committee observes that there is no justification for the overpayment of the council expenditure and this therefore amounts to misuse of public funds.

Committee Recommendation

105. The Committee surcharges the council members the total amount of Kshs. 1,150,792. To be paid within 3 months after the adoption of this report by the House.

3.1.16 Unsupported Prior Year Adjustment

106. The statement of changes in net assets shows prior year adjustments of Ksh.185,411,810 under capital/development grants and whose details have not been disclosed. However, prior year adjustments may arise either as a correction of an error in financial statements reported for a prior period or change in accounting policy/estimate from the previous year in accordance with paragraph 67 of International Public Sector Accounting Standards (IPSAS) 3 which requires an entity to disclose the nature of prior period error, to the extent practicable, the amount of correction for each financial statement line item affected, the amount of the correction at the beginning of the earliest period presented, and if retrospective restatement is impracticable for a particular prior period, the circumstance that led to the existence of that condition and a description of how and from when the error has been corrected.

107. In the circumstances, this treatment does not conform to the International Public Sector Accounting Standards (IPSAS 3) and hence the accuracy of the statement of changes in net assets for the year ended 30 June 2020 could not be confirmed.

Management Response

108. Ksh.185,411,810 relates to work in progress that was omitted in the Property, plant and equipment for FY 2018/2019. The amount was recorded as an adjustment in FY 2019/2020.
109. The work in progress has been transferred to buildings since the work has been completed and certificates of completion have been issued.

Committee Observation

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

Committee Recommendations

111. The Committee recommends that the Accounting Officer must at all times ensure compliance with IPSAS (3) that governs the process of selecting and changing accounting policies that well as accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors.

3.1.17 Budgetary Control and Performance

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

3.1.18 Unresolved Prior Year Matters

113. The prior year audit matters have been addressed by the Committee

3.1.19 Council Expenses in Excess of Budget

114. The statement of financial performance reflects an amount of Ksh.21,324,315 in respect of Council expenses as disclosed in Note 12 of the financial statements. However, a review of the approved budget provided for audit of Ksh.7,000,000 on Council expenses and hence an unauthorized over-expenditure of Ksh.14,324,315 contrary to Section 43 of the Public Finance Management Act, 2012 which gives an accounting officer limited powers to reallocate appropriated funds.
115. There was no evidence provided to show any application of the reallocation of funds. Consequently, it was not possible to confirm the validity and value for money of the expenditure of Ksh.14, 324,315 on Council expenses for the year ended 30 June 2020.

Management response

116. The term of the Governing Council began in July 2019, six months after the expiry of the term of the previous Governing Council. Activities for the 6 months of 2018/2019 (January to June 2019) were not undertaken, which necessitated frequent meetings to complete important governance activities of the FY 2018/2019 that were pending after its inauguration.

117. TKNP monitors its budget performance on a quarterly basis. A revised budget is prepared to cater for any variance in unforeseen expenditure adjustments.

Committee observation

118. The Committee observes that the council held 20 meetings in excess of the allowed maximum of 6, resulting in an Unauthorized expenditure contrary to Section 43 of the Public Finance Management Act of 2012.

Committee Recommendation

119. The Committee recommends that the council be disbanded and surcharged for the irregular expenditure.

3.1.20 Irregular procurement of Enterprise Resource Planning (ERP) Software

120. The statement of financial position as at 30 June 2020 reflects Ksh.17,035,000 in respect of intangible assets and as disclosed in Note 22 to the financial statements, the amount relates to procurement of an ERP software through request for expression of interest. Documents provided for audit revealed, that management adopted a prequalification list from the Ministry of ICT but no letter requesting for use of the prequalified list of the Ministry as well as a letter granting authority to use the prequalified list was provided for audit review contrary to Section 56(1) of the Public Procurement and Asset Disposal Act 2015, which states that to identify qualified persons, a State organ or public entity may seek, in writing, to use another State organ's, public entity 's regulated professional body's registration list of all registered persons in the category provided that the list is valid and developed through a

competitive process in accordance with the relevant provisions of this Act. In addition, only one supplier responded to the request.

121. The tender was awarded to a local firm at a contract price of Ksh.23,896,000 via contract no TKNP/C/4/19/32 made on 26th Day of April 2019 against a budget of Ksh.18,340,000.

122. The management did not make available for audit user requisition detailing needs and preferences of various users/departments arising from needs assessment contrary to Section 22(1) of the Public Procurement Regulations 2006 which states that every procurement requirement shall be initiated using a purchase requisition which shall include all necessary information pertaining to the procurement.

123. There was also no certification from the ICT department to indicate whether the software installed met the needs of users and that the modules were effective as per the needs of the institution including inspection and acceptance committee report to authenticate the satisfaction of the system to the needs of the institution.

124. In the circumstances, it was not possible to confirm the validity and value for money the expenditure of Ksh.17,035,000 spent on the new ERP system for the year ended 30th June 2020.

Management response

125. The procurement was initiated through a circular from the Ministry of ICT on the procurement of ICT related services to procure ICT services from the Ministry's list of prequalified suppliers (The circular from the Ministry of ICT and the prequalified list of suppliers was provided). The supplier was the only responsive bidder for this service and was awarded this contract as per Sec 79 of the Public Procurement and Asset Disposal Act, 2015, which states that a tender is responsive if it complies with all the eligibility and all mandatory requirements in the tender documents. The procurement process was done through a centralized term of reference consolidated from the ICT department's internal requisition.

126. The budget of Ksh.23,896,000 was split into two financial years (2019/2020 and 2020/2021). The budget extracts of the budget for this purchase was provided.

127. There is a signed evaluation report, inspection and acceptance report by the ICT committee on the effectiveness of the software in meeting the needs of the institution. KNP has a signed service level agreement with the software provider.

Committee Observation

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

Committee Recommendations

129. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.21 Procurement of Computers and Learning Materials

130. During the year under review, the Polytechnic purchased desktops, laptops, and learning materials from three suppliers at a cost of Ksh.2,228,155 using request for quotation method of procurement.

131. However, the requests for quotation were sent to two suppliers only for each of the purchases contrary to Section 106(2b) of the Public Procurement and Asset Disposal Act, 2015 which requires that the request shall be given to as many persons as necessary to ensure effective competition and shall be given to at least 3 persons, unless that is not possible.

132. In the circumstance, it was not possible to confirm the validity and value for money on the purchase of computers and learning materials of Ksh.2,228,155 for the year ended 30 June, 2020.

Management response

133. Request For Quotations (RFQ) were sent to suppliers in the list of prequalified suppliers. However, only 2 suppliers responded to the RFQs who were subjected to evaluation. TKNP has a broad range of suppliers in various categories who are sent RFQs and all responsive RFQs are considered for evaluation.

Committee Observation

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

Committee Recommendations

135. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.22 Installation of CCTV Surveillance and Air Conditioning in the Library

136. As disclosed in Note 25 to the financial statements, the statement of financial position reflects an amount of Ksh.191,766,953 in respect of work in progress out of which an amount of Ksh.33,501,201 was paid by a contractor engaged by the Polytechnic to complete the construction of a Library and classified as work in progress. Included in the payments of Ksh.33,501,201 to the contractor were amounts of Ksh.2,000,000 and Ksh.1,500,000 being provisional sum for the installation of CCTV surveillance system and air conditioning respectively. However, a physical verification of the project carried out on 9th February 2021 revealed that the contractor had not installed the air conditioner which were part of the bill of quantities and fully paid.

Management response

137. The client requested a variation of the scope of the initial project of Ksh.33,501,201 to cater for landscaping and cabro works that were done to ensure the accessibility of the library. A letter was written to the Principal Secretary for approval of this revised scope of work and the additional funds. The client did CCTV Surveillance and Air Conditioning separately from the initial contract. The minutes of the Governing Council, and the letter to the Principal Secretary for the revised scope of work was provided). The certificate of completion of works was also provided.

Committee Observation

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

Committee Recommendations

139. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.23 Unsupported Payment of Provisional Sums

140. Included in the work in progress of Ksh.33,501,201 and as disclosed in Note 25 to the financial statements were provisional sums amounting to Ksh.7,500,000 as detailed below:

141. However, there were no invoices, Bills of Quantities, or other documents to support the provisional sums contrary to Section 70 (6)(a) & (b) of the Public Procurement and Asset Disposal Act, 2015 which requires the tender documents to provide specific details relating to goods, works, and services procured.

142. In addition, an additional amount of Ksh.3,999,600 was incurred through a different contractor for electrical works. However, tender documents including the contract

Item	**Amount**
	Kshs.
Land Scaping, Driveways and Parking Areas	3,000,000
External Works, Fire-Fighting Equipment and Storm Water Drainage	1,500,000
Contingencies	2,000,000
Project Management Expenses and Stationery	1,000,000
Total	**7,500,000**

agreement indicating how the contractor was identified were not provided for audit.

143. The award of a separate contract for electrical works had the effect of increasing the initial contract sum to Ksh.37,500,801 despite the fact that a provision for the electrical works of Ksh.3,500,000 had been included in the original contract sum of Ksh.33,501,201.

144. In the circumstances, the validity and value for money of Ksh.7,500,000 and Ksh.3,999,600 in respect of provisional sums and electrical works respectively all totaling to Ksh.11,499,600 could not be confirmed.

Management Response

145. Bill of Quantities to support the provisional sum of 7,500,000 and the contract sum of 33,501,201. Electrical works was done by the main contractor as seen in the electrical supervisor's report in the handing over meeting and the Variation Order No.3.

146. The tender documents were prepared by the State Department of Public Works. The above amounts were stated provisional sums and not measured works.

147. The contractor was unresponsive to the letter of award of Ksh.3,999,600, thus the contract was not awarded for electrical works.

Committee Observation

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

Committee Recommendations

149. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.24 Failure to Carry out Asset Reconciliations

150. In the year 2018/2019, the Polytechnic purchased twenty (20) desktop computers from a company on 17th July 2018 at a cost of Ksh.1,598,000. The computers were received in the stores vide and subsequently issued for installation at the business department without inventory as required for permanent stores. However, and as per documents provided for audit, eighteen (18) computers valued at Ksh.1,438,200 were reported missing by the head of business department. The loss of assets could be attributed to weaknesses in the internal controls and failure by Management to carry out regular assets verifications as required by Section 15.7 of the Financial Management Policy of the Polytechnic.

Management Response

151. The concerned staff was dismissed from service as TKNP staff. Asset reconciliations are updated as per the Performance Contracting requirements on the National Treasury website

(**nalm@treasury.go.ke.**) on a quarterly basis. A report on the performance is shared to TKNP from the National Treasury.

Committee Observation

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

Committee Recommendations

153. The Committee recommends that the Accounting Officer must at all times ensure compliance with Regulation 139 of the PFM (National Government) Regulation 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that, responsibility of an accounting officer of a national government entity on assets. (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and (b) movement and conditions of assets can be tracked.

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3.1.25 Inaccuracies in Comparative Balances

154. The statement of financial position and as disclosed in Note 27 to the financial reflects opening balances of Kshs.2,082,680 with respect of amounts held for third parties. However, the audited financial statements for 2019/2020 reflect a Nil balance for amounts held for third parties, resulting in an unexplained variance of Kshs.2,082,680. Further, the statement of financial performance for the year ended 30 June 2020 in the audited financial statements reflects a nil balance for revaluation reserve while the audited financial statements of 2019/2020 show a revaluation loss of Kshs 432,328,382 resulting to unexplained variance of Kshs.432,328,382. In the circumstances, the accuracy of the financial statements could not be confirmed.

Management Response

155. The financial statements provided show a comparative figure of KES 7,026,667 (FY 2021) and KES 2,082,680 (FY 2020) see the statement of financial position- Current Liabilities (Amounts held for third parties) and Note 27 respectively.

156. Revaluation Loss of Kshs.131,972,968 has been shown separately in the comparative statement of Changes in Net Assets and forms the opening balance for the year under audit

Committee Observation

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

Committee Recommendations

158. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.26 Transfers from Government Entities

159. The statement of financial performance and corresponding Note 11(a) to the financial statements reflect transfers from Government entities of Kshs.227,607,000. However, the entity's bank statement reflected Kshs.240,702,000 resulting in an unexplained variance of Kshs.13,095,000. Although management explained that part of the money was in respect of amounts held for third parties, no evidence was provided to support this explanation.

160. In the circumstances, the accuracy of the transfers from Government entities of Kshs.227,607,000 could not be confirmed.

Management Response

161. Except for Capitation relating to TKNP which is charged to the financial statements, the rest of the transfers are recorded as liabilities (Amounts held for third parties)

Committee Observation

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

Committee Recommendations

163. The Committee recommends that the Accounting Officer picks up the issue and clears the outstanding amounts must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.27 Variances between Financial Statements and Ledger Balances

164. The statement of financial performance reflects expenditure on use of goods and services, repairs and maintenance, and general expenses of Kshs.187,454,024, Kshs.2,308,996, and Kshs.5,048,045 as disclosed in Note 14,18 and 20 respectively. Variances were however noted between the amounts reflected in the financial statements and amounts reflected in the ledgers as analyzed below:

Account	Ledger Balance (Kshs.)	Financial Statements Balance (Kshs.)	Variance (Kshs.)
Expenses			
Use of Goods and Services			
Learning materials and training	105,878,805	94,225,720	11,653,085
Local transport and travelling	3,759,061	3,550,491	208,570
Medical related expenses	3,148,752	2,749,524	399,228
Utility supplies	7,256,305	6,758,924	497,381
ICT expenses	1,365,698	522,850	842,848
Industrial attachment	3,979,744	3,114,366	865,378
Practical related expenses	6,314,724	5,406,999	907,725
Development expenses	23,771,443	22,293,223	1,480,220
Boarding related expenses	6,664,594	5,092,377	1,572,217
Contingencies (Hospitality services)	9,408,151	7,399,760	2,008,391
Repairs and Maintenance			
Repairs and maintenance – others	1,321,251	1,262,304	58,947
Repairs and maintenance – buildings	884,200	-27,120	911,320
General expenses			
Application fees	6,100	-225,900	232,000

165. In the circumstances, the accuracy of the use of goods and services, repairs and maintenance, and general expenses could not be confirmed.

Management Response

Account	Ledger Balance (Kshs.)	Financial Statements Balance (Kshs.)	Variance (Kshs.)	Explanation
Expenses				
Use of Goods and Services				
Learning materials and training	105,878,805	94,225,720	11,653,085	Learning materials 94,225,720 while school equipment's and supplies 18,457,500
Local transport and travelling	3,759,061	3,550,491	208,570	Ledger balance is 3,550,491
Medical related expenses	3,148,752	2,749,524	399,228	Ledger balance is 2,749,524 same as reported in the financial statements.
Utility supplies	7,256,305	6,758,924	497,381	Ledger balance is 6,758,924 same as reported in the financial statements.
ICT expenses	1,365,698	522,850	842,848	Ledger balance is 522,850,
Industrial attachment	3,979,744	3,114,366	865,378	Ledger balance same as financial statements 3,114,366.
Practical related expenses	6,314,724	5,406,999	907,725	Ledger balance show kes 5,406,999 same as financial statements
Development expenses	23,771,443	22,293,223	1,480,220	

Boarding related expenses	6,664,594	5,092,377	1,572,217	
Contingencies (Hospitality services)	9,408,151	7,399,760	2,008,391	
Repairs and Maintenance				
Repairs and maintenance – others	1,321,251	1,262,304	58,947	
Repairs and maintenance – buildings	884,200	-27,120	911,320	
General expenses				
Application fees	6,100	-225,900	232,000	

Committee Observation

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

Committee Recommendations

167. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.28 Un-reconciled Employee Costs

168. The statement of financial performance and corresponding Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect of employee costs which, includes basic salaries and wages and housing benefits of Kshs.70,232,449 and Kshs.8,774,291 respectively. However, the master payroll and supporting payment vouchers provided for audit reflected expenditure on basic salaries and housing benefits of

Kshs.62,945,624 and Kshs.8,347,241 respectively resulting to an unreconciled variance of Kshs.7,286,828 and Kshs.427,050 respectively. Further, the ledger for salaries and wages reflected an amount of Kshs.71,610,937 while the financial statements reflect an amount of Kshs.70,232,449 resulting to an unreconciled difference of Kshs.1,378,488. In addition, an amount of Kshs.5,131,988 paid in respect of security services was erroneously charged to the salaries and wages account.

169. In the circumstances, the accuracy of the employee cost of Kshs.94,753,221 reflected in the statement of financial performance could not be confirmed.

Management Response

170. **Personnel emoluments**

Total as per ledger	70,232,449
Less Pride Kings (Security) invoices	3,753,500 (Amounts that were erroneously posted)
Corrected Balance	66,478,949

171. A reconciliation of the basic salary reported in the FS and the payroll:

	Amount
Extraneous allowance	108,000
Interns	6,000
Management and HODs allowance	480,000
Termly duty allowance for D/HODs	39,000
Pride Kings Security	3,753,500
NITA	57,300
Gratuity	2,475,151
NSSF	157,200
Total Amount	7,076,151

172. Reconciliation of the basic salary reported in financial statements and the ledger balance

	Amount

Ledger balance	70,232,449
Cancelled invoice – Pride Kings	1,378,488
Financial statements balance	71,610,937

173. House allowance is computed on the basis of specific job groups and basic salaries to staff and is integrated within the payroll system in use.

Committee observation

174. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee recommendation

175. The Committee cites the Accounting Officer for negligence and incompetence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

3.1.29 Cash and Cash Equivalents

176. The statement of financial position and corresponding Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs.143,178,816 which, includes Kshs.124,248,677 held at the Kenya Commercial Bank. However, the bank reconciliation statements reflected bank balances totaling to Kshs.125,373,358 resulting to an unreconciled variance of Kshs.1,124,681.

177. Further, the bank reconciliation statements reflected payments in the cashbook not in the bank statement (unpresented cheques) of Kshs.41,113,531 and receipts in the bank statement not in the cash book of Kshs.56,000. Although management explained that all the unpresented cheques had been cleared and the receipts in the bank not in the cashbook updated in cashbook, no evidence was provided in support of this explanation.

178. In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.143,178,816 could not be confirmed.

Management Response

179. The un-presented cheques have all been cleared as of November 2021. TKNP does reconciliations on a monthly basis.

Committee Observation

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

Committee Recommendations

181. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 140. (1) of the PFM (NG)Regulation 2015, which states that an Accounting Officer shall be responsible for the proper custody, care and use of government inventories under their control, including imported goods in vessels awaiting discharge and in customs warehouses awaiting clearance.

3.1.30 Unreconciled Inventories

182. The statement of financial position and corresponding Note 24 to the financial statements reflects inventory balance of Kshs.3,399,396. However, stock take report provided revealed an unreconciled variance of Kshs.2,141,639 as analyzed below:

Description	Financial Statements (Kshs.)	Stock Take Report (Kshs.)	Variance (Kshs.)
Cleaning materials	399,833	154,875	244,958
Medical Supplies	335,984	175,815	157,169
Stationery	2,062,545	4,236,196	(2,173,651)
Catering (Dry Food Stuffs)	601,034	971,149	(370,115)
Total	**3,399,396**	**5,541,035**	**(2,141,639)**

183. Although the management explained the matter was under an internal investigation, no evidence was provided in support of this explanation.

184. In the circumstances, the accuracy of the inventories balance of Kshs.3,399,396 could not be confirmed.

Management Response

185. As per the stock take reports below, the inventory balances reconcile with that of the financial statements. The TKNP Finance Policy adheres to IPSAS requirements on inventory recognition, and stock take is done on a quarterly basis.

Committee Observation

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

Committee Recommendations

187. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 140(i) of the PFM (National Government) Regulations, 2015 which states that Accounting Officers shall be responsible for proper custody, care and use of government inventories under their control.

3.1.31 Unsupported Capital Work-in-Progress

188. The statement of financial position and corresponding Note 28 to the financial statements reflects a balance of Kshs.2,429,806,167 in respect of property, plant and equipment which includes Kshs.191,766,953 in respect to work-in-progress. The details of the work-in-progress were however not provided.

189. In the circumstances, the completeness and accuracy of the work-in-progress balance of Kshs.191,766,953 could not be confirmed.

Management response

190. The certificates of the work-in-progress were provided.

Committee Observation

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

Committee Recommendations

192. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.32 Unsupported Trade and Other Payables

193. The statement of financial position and corresponding Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.88,297,149 which includes Kshs.8,299,392 and Kshs.1,351,474 in respect to accounts payable and withholding VAT respectively. However, these balances were not supported with contracts, local purchase or service orders, and invoices.

194. In the circumstances, the accuracy, completeness, and propriety of trade and other payables balance of Kshs.88,297,149 could not be confirmed.

Management response

195. The balances of recurrent creditors and withholding VAT of Kshs.8,299,392 and Kshs.1,351,474 respectively were cleared in full after the end of the year. The ledger balances of the period and the subsequent clearance dates of these amounts.

Committee Observation

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

Committee Recommendations

197. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.33 Unsupported Refundable Deposits from Students

198. The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.120,924,634 in respect of deposits from customers and students which, includes miscellaneous income and examination fees of Kshs.19,243,646 and Kshs.61,790,658 respectively whose supporting documents were not provided.

199. In the circumstances, the accuracy, completeness, and validity of refundable deposits from customers/students balance of Kshs.120,924,634 could not be confirmed.

Management response

200. A schedule of the ledger balances of examination fees and miscellaneous accounts were provided.

Committee Observation

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

Committee Recommendations

202. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.34 Unaccounted for Expenditures

203. The statement of financial performance reflects expenditure totalling to Kshs.5,048,045 in respect to general expenses. The expenditure includes Kshs.117,600 which was paid to three (3) members of staff from the parent ministry during a visit to Rarieda Technical Vocational College. Documents provided revealed that no formal imprest request was made, and the approval for payment was based on an email notification from a team member informing the Polytechnic Management about their intention to visit and do works assessment at Rarieda Technical Vocational College which is mentored by the Polytechnic. Although the Management explained that they requested for the evaluation team from the parent ministry, recommended financial management procedures were not followed as the amount was directly expensed instead of being issued and accounted for as imprest.
204. In the circumstances, the completeness and accountability of the expenditure of Kshs.117,600 could not be confirmed.

Management Response

205. TKNP being a mentoring Institution requested for a project evaluation from the Ministry. An official communication through email was issued. is a report of the evaluation for this exercise.

Committee observation

206. The Committee observed that management was in breach of the law as stipulated under Section 93 (4) (c) and (d) of the PFM (National Government) Regulations, 2015 which states

that before issuing temporary imprest the applicant has been recorded in the imprest register including the amount applied for and adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.

Committee recommendation

207. The Committee reprimands the Accounting Officer for incompetence and recommends that the accounting officer must at all times comply with Section 93 (4) (c) and (d) of the PFM (National Government) Regulations, 2015.

3.1.35 Irregular Cash Payments

208. The statement of financial performance and as disclosed in Note 18 to the financial statements reflects repairs and maintenance expenditure of Kshs.2,308,996. However, the payments totaling Kshs.2,036,775 were paid in cash. Although the management explained that the repairs were carried out by staff during the Covid-19 period, it was not clear why they were paid since employees are entitled to salaries. In the circumstances, it was not possible to confirm the regularity of the expenditure.

Management response

209. Kshs.2,036,775 were payments made to casual workers engaged during the Covid-19 period for repairs and maintenance works and payments were done through their supervisors, and as per Sec 109 Force Account Subsection 2b, which states that a procurement entity may use force account by making recourse to the state or public officers and using public assets, equipment and labor which are competitive and where unforeseen and urgent work is required to be carried out without disrupting ongoing operations.

210. TKNP uses prequalified suppliers on small works for all repairs and maintenance activities within the institution.

Committee observation

211. The Committee observed that the payment was irregular as stipulated under Section 93 (4) (c) of the PFM (National Government) Regulations, 2015 which provides that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

Committee recommendation

212. The Committee recommends that the Accounting Officer be surcharged Kshs. 2,036,775 for the irregular expenditure. The amount is to be paid within six months after the adoption of this report by the House.

3.1.36 Long Outstanding Imprest

213. The statement of financial position and corresponding Note 23 to the financial statements reflects receivable from exchange transactions of Kshs.168,517,087 which includes long outstanding imprest totaling to Kshs.2,470,345 not surrendered at the end of the financial year contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. In the circumstances, management was in breach of the law.

Management Response

214. This imprest balance has since been cleared. Imprest clearance is done within 7 working days after returning to duty station.

Committee observation

215. The Committee observes that Kshs. 37,800 is still outstanding, and that the Accounting Officer was responsible for ensuring compliance with Section 93(5) of the Public Finance Management (National Government) Regulations, 2015.

Committee recommendation

216. The Committee surcharges the principal a total amount of Kshs. 37,800 and recommends that must at all times ensure compliance with Section 93(5) of the Public Finance Management (National Government) Regulations, 2015.

3.1.37 Delay in Completion of Projects

217. The statement of financial position as disclosed in Note 27 to the financial statements reflects an amount of Kshs.3,466,667, being amounts held on behalf of Rarieda Technical

and Vocational Center (TVC). The Polytechnic awarded a contract for the proposed construction of twin workshops, classrooms, and office block for Rarieda Technical Vocational College on 28 January 2019 at a contract price of Kshs.56,890,755. The initial projected completion date was fifty-two (52) weeks which was estimated on 16 April 2021 but was extended by another twenty-four (24) weeks with the new completion date being 24 June 2021. A status report dated 8 April 2021 provided for audit showed that the contractor had been paid a cumulative amount of Kshs.24,495,419 with respect to four (4) interim certificates.

218. As at the time of the physical inspection in January 2022, the project was incomplete and the contractor was not on site. This was about thirty-two (32) weeks after the expiry of the revised completion date of 24 June 2021. The failure to adhere to contract terms may lead to increased project costs.

219. In the circumstances, the value for money on the expenditure of Kshs.26,495,419 could not be confirmed.

Management response

220. This project has now been completed and is operational as per the certificate of completion and the handing over report

Committee Observation

221. The Committee observes that the matter had been resolved as the project is now complete and operational.

Committee Recommendations

222. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.38 Irregular Payment of Responsibility Allowances

223. The statement of financial performance and as disclosed in Note 15 to the financial statements reflects an expenditure of Kshs.94,753,221 in respect to employee costs which includes an expenditure on responsibility allowance amounting to Kshs.5,619,110 paid to

various members of staff. Although the payment of this allowance was approved by the Governing Council, management did not provide evidence of approval by the Salaries and Remuneration Commission.

224. In the circumstances, it was not possible to confirm the regularity of the responsibility allowance amounting to Kshs.5,619,110.

Management response

225. This allowance has since been removed.

Committee Observation

226. The Committee observed that the payment was irregular.

Committee Recommendation

227. The committee to deliberate during report writing

3.1.39 Weak Controls over Fuel Expenditure

228. The statement of financial performance and as disclosed in Note 14 to the financial statements reflects use of goods and services expenditure of Kshs.187,454,029 which, included Kshs.3,550,491 in respect of local transport and travelling. Review of the fleet management system, motor vehicle records and supplier statements for the period under review revealed that there were no requisitions for motor vehicle fuel drawn by the institution's vehicles detailing the date, amount and vehicle drawing the fuel. In addition, work tickets for five (5) motor vehicles for eleven (11) months were missing.

229. Further, in some instances, fuel drawn was not recorded in the work tickets. In addition, inconsistencies in the mileage recording were noted and variances between the amount of fuel drawn as per the supplier statements and amounts recorded in the works were also noted.

230. In the circumstances, it was not possible to confirm whether effective controls on management of fuel were in place.

Management Response

231. The missing work tickets are provided.

232. All fuel drawn is currently being recorded in the work ticket for each vehicle. TKNP has assigned responsibility to a staff to oversee activities of the Polytechnic's vehicles and transport activities.

Committee Observation

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

Committee Recommendations

234. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) and (e) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

3.1.40 Failure to Maintain Fixed Assets Register

235. The statement of financial position reflects property, plant and equipment net book value of Kshs.2,429,806,197. However, management did not provide an asset register to confirm the completeness of the various classes of assets reflected in the financial statements.
236. In the circumstances, it was not possible to confirm whether adequate controls were in place to ensure security and accurate disclosure of assets held by the Polytechnic.

Management Response

237. Asset reconciliations are uploaded in the system on a quarterly basis to the treasury. This has been addressed and asset reconciliations are updated as per the Performance Contracting requirements on the National Treasury on a quarterly basis. A report on the performance is shared to TKNP from the National Treasury.

Committee Observation

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

Committee Recommendations

239. The Committee recommends that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possessions as prescribed by the relevant laws.

240. The Institution must at all times ensure 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.

4.0 UGENYA TECHNICAL AND VOCATIONAL COLLEGE

241. Mrs. Elizabeth A.O. Okullu, Principal, accompanied by: -

i) Simon Njoga - Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Ugenya Technical and Vocational College, on 14th June 2023.

Audited statements for Financial Year 2018/19

4.1.1 Accuracy of the Financial Statements

242. The statement of comparison of budget and actual amounts reflects KES.657, 280.00 in respect to performance difference of total expenditure. However, re-computation of the balances gave KES.2, 498,388.00 resulting to an unexplained variance of KES.1, 841,108.00. In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

243. This error was noted by the management as typing error and has since been corrected accordingly. We have also ensured that no recurrence of such an error in the subsequent year Financial Statements. This can be confirmed by the report for 2019/2020FY that did not list the same error.

Committee observation

244. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee recommendation

245. The Committee cites the Accounting Officer for negligence and incompetence and recommends that management must at all times ensure compliance with the provisions of International Accounting Standards when preparing financial statements.

4.1.2 Valuation of Assets - Property, Plant and Equipment (PPE)

246. As disclosed in Note 13 to the financial statements, the statement of financial position as at 30th June, 2019 reflects KES.53,635,305.00 on PPE which comprised of the valued balance of KES.55,159,669.00 less depreciation of KES.1,524,364.00. However, and as disclosed in the statement of changes in net assets, KES.55,159,669.00 may not be reliable as the College assets were valued by a committee formed by the principal without a professional valuer. In the circumstance, the completeness, accuracy, and authenticity of the KES. 53,635,305 could not be confirmed.

Management Response

247. The college management has engaged the Ministry of Public Works to value the college assets from 17th July 2023 as shown in the attached commitment letter from Ministry of Public Works. This follows successful survey of the College assets by a team from the Ministry of Public Works in June 2023.

248. We are looking forward to your consideration and advice on the issues raised for future improvements on our financial statements and reports.

Committee Observation

249. The Committee observed that the Institution has made good progress in completing the valuation of its assets.

Committee Recommendations

250. The Committee recommends that the Accounting Officer conforms to the law as stipulated under Regulation 139 of the PFM (National Government) Regulation 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that, responsibility of an accounting

officer of a national government entity on assets. (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and (b) movement and conditions of assets can be tracked.

Audited statements for Financial Year 2019/2020

4.1.3 Inaccurate Property, Plant and Equipment (PPE)

251. The statement of financial position reflects PPE balance of KES.53,442,738.00. The college received five (5) tractors from the Ministry of Education (Parent Ministry). However, the cost of the tractors is excluded in the financial statements and the ownership documents not provided for audit. Physical verification of the tractors indicates that the some had no blue number plates and the tractors are not included in the fixed assets register.

252. Further, depreciation charge for the year was totaling KES.1,409,413.00 for various classes of assets. However, the rates used were not supported and it was not clear how the amounts have been arrived at as the financial statements have not reflected the various rates of depreciation for each category or class of assets.

253. Consequently, the accuracy, completeness and validity of the PPE balance of KES.53,442,738.00 could not be confirmed.

Management Response

254. The college management has engaged the Ministry of Public Works to value the college assets from 17th July 2023 as shown in the attached commitment letter from Ministry of Public Works. This will help in attaching cost and depreciation rates to the college assets.

255. We have also formulated the Finance Policy to guide in the provision of depreciation rates for different classes of assets which have now been disclosed in subsequent statements and reports.

256. On the other hand, it has not been possible to obtain and mount the tractor number plates before the tractors are registered by the National Transport and Safety Authority. According to the National Transport and Safety Authority, Kisumu Branch, the details of the tractors could not be traced as having been registered in their system. Our effort to have the tractors registered, can be traced to the number of follow-up letters and the response schedule received from the Ministry of Education

257. In compliance with the Procurement and Asset Disposal Act 2015, the details of the tractors have been included in the fixed assets register with no values attached. Attached is a copy of the assets register.

Committee Observation

258. The then principal currently (at Mawego) appointed the valuation team contrary to the law as provided under Regulation 139 of the PFM (National Government) Regulation 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that, responsibility of an accounting officer of a national government entity on assets. (a) preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and (b) movement and conditions of assets can be tracked.

Committee Recommendations

259. The committee reprimands the accounting officer who is currently (at Mawego) for breach of the law.

4.1.4 Inaccurate Statement of Changes in Net Assets

260. The statement of changes in net assets did not reflect the comparative amounts for the year ended 30th June 2019. Further, the statement reflected total net assets of KES. 62,992,313.00 instead of the correctly casted balance of KES.62,988,313.00 resulting to unexplained difference of KES.4,000.00

261. In addition, the statement of changes in net assets reflects total net assets amounting to KES.62,992,313.00. However, the statement of financial position reflects total net assets amounting to KES.64,205,159.00 resulting to unreconciled variance of KES.1,212,846.00.

262. Consequently, the accuracy and completeness of statement of changes in net assets balance of KES.62,992,313.00 could not be confirmed.

Management Response

263. The management took note of the errors committed 2019/2020FY during the preparation of the statement of changes in net assets. These errors have since been reconciled and reported accordingly. Reference is made to the 2021/2022FY report attached. (See Appendix IV).

Committee Observation

264. The errors occurred when the then principal currently (at Mawego) was at the helm which is an indication of lack of seriousness by the then principal.

Committee Recommendations

265. The current principal to ensure such errors do not recur in future and the auditor to confirm this in the next audit cycle and comply with the law as stipulated under Section 143(1) of the PFM (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

4.1.5 Inaccurate Statement of Cash Flow

266. The statement of cash flows reflects changes in inventory, receivables, payables and prepaid amounting to negative KES.475,672.00, negative KES.8,816,130.00, KES.540,296.00 and KES.958,670.00, respectively resulting to net changes in working capital amounting to negative KES.7,396,836.00. However, the statement of financial position reflects changes in inventory, receivables, payables and payables prepaid amounting to negative KES.277,642.00, negative KES.7,848,750.00, negative KES.566,503.00 and KES. 224,722.00, respectively resulting to net changes in working capital of negative KES.8,468,173.00. The resultant variance of KES.1,071,337.00 has not been explained.

267. Further the statement of cash flows indicated as at 30th June 2020 instead of, for the year ended 30th June 2020 and it has not been prepared in accordance with the prescribed format by Public Sector Accounting Standards Board.

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

Management Response

269. The management took cognizant of these areas and revised the cash flow statement that was formerly prepared on indirect method to direct method of cash flow statement as shown in the 2020/2021FY reports.

Committee Observation

270. The Committee observed that issue had been resolved. However, the then Accounting officer was negligent and not compliant to Section of the PFM (National Government) Regulations, 2015 where an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is – lawful and authorised; and effective, efficient, economical and transparent

Committee Recommendation

271. The Committee reprimands the Accounting Officer and henceforth comply with Section 68 (2) (b) of the Public Finance Management Act, 2012 by ensuring that the entity keeps financial and accounting records that complies with the Act.

4.1.6 Budgetary control and performance

272. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to KES.48,385,650.00 and KES.24,182,600.00 respectively, resulting to an underfunding amounting to KES.24,203,050.00 or 50% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to KES.48,385,650.00 and KES.15,245,380.00 respectively, resulting to an underperformance amounting to KES.33,140,270.00 or 68% of the budget.
273. The underfunding and under expenditure affected the planned activities and may have impacted negatively on the college's performance.

Management Response

274. This was occasioned by the out-break of corona pandemic in March 2020 that led to suspension of training in all the learning institutions until the end of the financial year 2019/2020. The college was therefore denied the opportunity to collect tuition fees and examination fees from students even though these funds had been included in the budget projections for the said financial year.

275. The operational grant of KES. 12,000,000.00 projected to be received from the Government of Kenya was realized to the tune of KES.1,000,000.00 hence, the underfunding that led to under expenditure that affected the planned activities and impacted negatively on the college's performance. (See Appendix VI)

Committee Observation

276. The Covid-19 pandemic had adverse effects to institutions due to closure as one of the containment measures taken by the Government(s).

Committee Recommendations

277. The principal to ensure that the institution comes up with alternative income generating ventures to avoid overreliance on GoK funding. The Auditor to report the progress made in the next audit cycle.

4.1.7 Lack of Internal Audit Function and Functional Audit Committee

278. The Board constituted the Finance and Audit Committee on 23 August 2019 although there was no internal audit department unit and an internal auditor. However, during the year under review, the audit committee was dormant contrary to Chapter 1(1.7) of Mwongozo Act, 2015 on committee of the Board which state that, the board shall establish an audit committee and a maximum of three other committees to discharge governance, technical matters, risk, strategy, compliance, finance and human resources functions.

279. Consequently, the college is in breach of the law as duly provided under Section 73(5) which provides that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations.

Management Response

280. To remedy the dormancy of the Finance and Audit committee of the Board, the Board employed an internal auditor and separated The Committee into Administration Finance and Infrastructure and Audit and Risk Committees. This is demonstrated by the board minutes during the formation of committees and the offer and acceptance letter to the internal auditor. (See Appendix VII)

Committee Observation

281. The issue has been resolved.

4.1.8 Failure to Develop Staff Establishment

282. The College recruited six (6) staffs during the financial year under review. However, the institute does not have an approved staff establishment therefore it is not clear how the vacancies were identified. This is contrary to Section 57 of the Public Service Commission Act 2017 which states that the commission shall discharge its duty under this section by monitoring and evaluating on a public body staffing needs including establishment and terms and condition of service.
283. Consequently, the college is in breach of the law under the Public Service Commission Act to adequately have qualified staff duly assigned to institutions.

Management Response

284. To address this weakness in the staff engagement, the college management carried out the staff gap analysis and formulated the schemes of work and staff establishment to help the management in decision making. This development can be traced to the 2021/2022 FY report and other documents that were attached.

Committee Observation

285. The issue has been resolved.

4.1.9 Lack of Approved Policy Documents

286. During the year under review, it was observed that the college did not have an approved Human Resource Manual, Financial Management Procedures manual, Risk Management Policy, Disaster Recovery Plan and ICT Policy. This is contrary to Section 7(1)(a) of Public Audit Act 2015 which states that the Auditor General shall give assurance on the effectiveness of internal controls, risk management and overall governance at the national government.
287. Consequently, the college is in breach of the law as further provided under Regulation 165(1)(a) &(b) of PFM (National Govt) Regulations, 2015 stipulates that Accounting Officer shall ensure that the national government entity develops—(a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management

and internal control that builds robust business operations. These are the crucial roles that are supposed to be played by the Accounting Officer in matters concerning risk management

Management Response

288. To mitigate against weak internal control systems, the management has developed all the policies deemed necessary to facilitate the smooth and efficient running of college activities for better service provision to its clients. This can be verified by the 2020/2021FY Audit Report under implementation status of Auditor General Recommendations.

Committee Observation

289. The issue has been resolved.

Audited statements for Financial Year 2020/21

4.1.10 Inaccuracies in Property, Plant and Equipment (PPE)

290. The statement of financial position reflects PPE balance of KES.54,382,994.00. The college received ninety-five (95) assets including five (5) tractors, twenty (20) desktop computers, three laptops, several workshop machines, projectors, and furniture all of undetermined value from the Ministry of Education whose cost have not been included in the property, plant and Equipment. In addition, the ownership documents for the tractors were not provided for audit verification and the tractors were registered as private Vehicle and not blue or GK number plates.
291. Further, note 13 to the financial statements reflects depreciation charge for the year amounting to KES.3,167,732.00 for the various classes of assets. However, the rates used were not disclosed in the accounting policies section of the financial statements.

Management Response

292. The process of valuation of Assets is on-going and will help attach fair cost and depreciation values to the Assets. The commitment can be a firmed by the correspondences between the Ugenya Technical and Vocational College and the Ministry of Public Works.
293. The ownership documents were not provided for audit since our effort to obtain the necessary documents for the registration of the machines, tools and equipment donated by

the Ministry has not borne any fruit. This can be traced to the number of follow-up letters and the lump sum response schedule received from the Ministry of Education.

Committee Observation

294. The institution began using the tractors before their registration and insurance thereby exposing the students and users to risks associated with the use of unregistered and uninsured machinery.

Committee Recommendations

295. The Committee directs that the institution ceases the operation of the tractors and ensure that they are registered and insured within three months after the adoption of this report by the House.

4.1.11 Statement of Changes in Net Assets

296. The statement of changes in net assets reflects total net assets amounting to KES.67,852,524.00. However, the statement of financial position reflects total net assets amounting to KES.80,283,130.00 resulting to unreconciled variance of KES.12,430,606.00. Further, the opening balance under revenue reserves column of KES.6,611,798.00 does not agree with the previous auditing financial statement balance of KES.7,828,644.00 resulting to an unexplained variance of KES.1,216,846.00.

Management Response

297. Our revision of the variance between the statement of net assets of KES.67,852,524.00 and the statement of financial position of KES.80,283,130.00 showed that there was no variation in figures. This is due to the fact that the KES.80,283,130.00 in question did not represent net assets but represented the value of the total assets figure.

298. Taking note of the deviation of KES.12,430,606.00 (total current liabilities figure) that comprised of KES.2,950,137.00 in respect of trade and other payables from exchange transactions and KES.9,480,469.00 in respect of payments received in advance as indicated in the statement of financial position, we have rearranged the items in the statement of financial position to comply with the reporting standards even though the reporting template for 2020/2021FY did not give provision for classifying the 'Net Assets' to be compared with the 'Cost of Financing' The variation of KES.1,216,846.00 was occasioned by the erroneous

recognition of the cost of assets acquired during 2019/2020FY under the revenue reserve. This error has since been noted and corrected. Attached is the acquired asset schedule

Committee Observation

299. The issue has been resolved.

4.1.12 Budgetary Control and Performance

300. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of KES.56,879,240.00 and KES.28,550,740.00 respectively resulting to an under-funding of KES.28,328,500.00 or 50% of the budget. Similarly, the college expended KES.22,469,683.00 against an approved budget of KES.35,405,666.00 resulting to an under-expenditure of KES.12,935,983.00 or 37% of the budget.

301. The underfunding and expenditure affected the planned activities and may have impacted negatively on the college's performance.

Management Response

302. The major deviation of the actual receipts from the projected budget is attributed to the corona pandemic that led to closure of the colleges from March 2020 to January 2021. The revenue collection for 2020/2021F/Y therefore was only implemented for six months hence the low-income affecting expenditure behavior. Attached are documents in support of the suspension of learning for the said period.

Committee Observation

303. The COVID-19 pandemic had adverse effects on institutions due to closure as one of the containment measures taken by the Government(s).

Committee Recommendations

304. The Committee recommends that the principal to ensure that the institution comes up with alternative income-generating ventures to avoid overreliance on GoK funding. The Auditor General to report on the progress made in the next audit cycle.

4.1.13 Non-Compliance With Law on Ethics Composition

305. During the year under review, the total number of employees of the college was fifty (50) out of which forty-two (42) or 84% of the total number were members of the dominant ethnic community in the County. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which state that all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

Management Response

306. I wish to report that compliance with sections 7(1) and (2) of the National Cohesion and Integration Act, 2008 has been a major challenge irrespective of our commitment to comply. Further, Article 232 (1)(h) and (I)(ii) of the Constitution of Kenya, 2010 expressly provides that the public service should be representative of the diverse Kenyan communities, however the Committee notes that since the enactment of the new constitution, public institutions have continued to carry out recruitments from over-represented communities This is based on the fact that in our recruitment opportunities, we normally offer equal chances to all Kenyans. Our experience is that Kenyans from other localities would express their interest by applying for the vacant positions but later fail to show- up when invited for interviews. Nevertheless, our college is determined to comply with this section of the law. Attached is the evidence of our experience during the recruitment process.

Committee Observation

307. This is a common issue that is occurring in many of the institutions and the Management should put deliberate measures in place to ensure compliance with the law as duly stipulated under Article 232 of the Constitution.

Committee Recommendations

308. The principal to ensure compliance with the law and the auditor to report the progress made in subsequent audits.

4.1.14 Lack of Internal Audit Function

309. The College Board constituted a Finance and Audit Committee on 23rd August, 2019. However, as at the time of the audit, the College had not established an internal audit

function and did not benefit from the assurance and advisory services from the internal audit functions. This is contrary to Section 73(5) and 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function.

Management Response

310. In executing its oversight role, the Board of Governors, Ugenya Technical and Vocational College, has engaged an internal auditor for checks and balances. See the attached advert and engagement letter for the internal auditor.

Committee Observation

311. The issue is resolved as the Auditor is currently employed on a permanent basis.

5.0 ASUMBI TEACHERS TRAINING COLLEGE

312. Ms. Sikuku Stellah P, Chief Principal, accompanied by: -

i.) Francis Otieno – Finance Officer

ii.) Michael Ouma - Bursar

Appeared before The Committee to adduce evidence on the audited accounts of Asumbi Teachers Training College, on 14th June 2023.

Audited statements for Financial Year 2020/21

5.1.1 Unsupported Property, Plant and Equipment

313. As disclosed in Note 31 to the financial statements, the statement of financial position reflects property, plant and equipment balance of KES. 33,720,892. However, the reported net book values of land, buildings and motor vehicles including motor cycles of KES. 26,000,000, KES. 256,000,000 and KES. 22,550,000, respectively were estimates as management had not undertaken professional valuation. In the circumstances, the accuracy, completeness and fair presentation of property, plant and equipment balance of KES. 333,720,892 could not be confirmed.

Management Response

314. The said figures were management values since we were adopting them for the first time in our financial statements. However, the college has engaged a government valuer who has already finished the work and given correct/expert values.

Committee Observation

315. The issue is resolved.

5.1.2 Long Term Receivables from Exchange Transactions.

316. The statement of financial position reflects long-term receivables from exchange transaction balance of KES. 96,095,588 as disclosed in Note 27(b) to the financial statements. The balance relates to student debtors which have remained unpaid with no repayment received during the year under review, with some balances dating back as far as the year 2014. No evidence of efforts to recover the debts was provided for audit. Further, no provision for the impairment of debts has been made in the financial statements. In the circumstances, the recoverability of the long-term receivables from exchange transactions of KES. 96,095,588 due from students could not be confirmed.

Management Response

317. Students in teachers training colleges do not benefit from fees capitations, subsidy or HELB. This leaves the students with burden to raise the whole fees considering that some of them come from vulnerable backgrounds. College calendar starts in September and ends in August. However, the financial year ends earlier hence any fees balances are treated as arrears, hence increasing receivables. During the financial year 2020-2021, the college tried to collect these revenues as shown in the table below. (The figures indicated can be verified from the cash books for main and college fund accounts).

Fees Arrears Received (FY 2020-2021)

Month	Main Account KES.	Fund Account KES.	Total KES.
July 2020	61,588	122,345	183,933
August 2020	4,494	8,846	13,340
September 2020	102,450	230,754	333,204
October 2020	5,800	211,050	216,850

November 2020	53,684	223,740	277,424
December 2020	114,002	105,190	219,192
January 2021	118,442	193,181	311,623
February 2021	40,509	199,513	240,022
March 2021	280,212	991,946	1,272,158
April 2021	85,812	356,848	442,660
May 2021	59,000	269,940	328,940
June 2021	35,328	270,273	305,601
Total	**961,321**	**3,183,626**	**4,144,947**

318. The new Board of Management (BoM) will convene a sitting to provide for impairment of debts.

319. The Ministry of Education (MoE) has designed the fees structure in a manner giving ease in fees collection to minimize chances of debtors as shown in the attached fees structure. The BoM has also come up with a fee collection policy.

Committee Observation

320. The Management had made some progress in recovering the balances by collecting KES.4,144,947 in FY 2020/21.

Committee Recommendations

321. The Committee recommends that the Accounting Officer ensures that the progress made in recovering the arrears is sustained in the following financial years to continue decreasing the outstanding balance.

5.1.3 Long-Term Trade and Other payables from Exchange Transactions

322. The statement of financial position reflects long-term trade and other payables from exchange transactions balance of KES. 25,087,063 and as disclosed in Note 41(b) to the financial statements. However, an aging analysis and review of records revealed that the College has been unable to meet its creditor obligations for a long period of time with a balance of KES. 19,881,098 having remained unsettled for more than three (3) years at the closure of the financial year under review. In the circumstances, the College's ability to settle the outstanding amount of KES. 25,087,063 is doubtful.

Management Response

323. The college has a payment plan towards creditors whereby;

   i. Current service providers are cleared on monthly basis to avoid disruption of services to current students.

   ii. Efforts are made to reduce creditors on a termly basis starting with the oldest to the recent ones. The amount of money owed to the creditors/payables (KES. 25,087,063) is less than receivables of KES. 96,095,588 - hence the ability to settle the outstanding amount of KES 25,087,063 is not doubtful. The long duration taken before employing trained primary teachers contributes to delay in receiving the outstanding fees.

Committee Observation

324. The Management had made some progress in settling the payables by paying KES.12,307,186 (49%) out of a total balance of 25,087,063.50 leaving KES.12,779,877.50 (51%) as still outstanding to be cleared in subsequent years.

Committee Recommendations

325. The Committee recommends that the Accounting Officer ensures that the progress made in recovering the arrears is sustained in the following financial years to continue decreasing the outstanding balance.

5.1.4 Staff ethnic composition

326. Review of employees' records revealed that out of seventy-one (71) employees, sixty-seven (67), or 94% were from the dominant community. This is contrary to Section 7(1) and (2) of the Nation Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law

Management Response

327. This occurrence is historical, and employees are on permanent and pensionable terms hence cannot be relieved without facing litigation. However, the BoM on a full BoM meeting on 27/1/2023 resolved that this anomaly be corrected as more staff exit.

Committee Observation

328. This is a cross-cutting issue in many institutions and deliberate efforts should be put in place to ensure compliance with the law as further elucidated under Article 232 (1) (h) and (I)(ii) of the Constitution.

Committee Recommendations

329. The principal must ensure that replacements after an individual's departure are not exclusively from the dominant tribe, in accordance with the law's requirement for a gradual reduction of such representation.

5.1.5 Inadequate safeguards for prompt collection of fees from students

330. Included in the current and non-current receivables from exchange transactions under Note 27(a) and (b) to the financial statements and balances of KES. 14,295,555 and KES. 96,095,588, respectively for student debtors. However, the College does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students in a timely manner. This is contrary to Regulation 64(1) (a) of the Public Finance Management (National Government) Regulation, 2015 which states that, "an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public moneys to their ministries, departments or agencies."

331. In the circumstances, Management was in breach of the law as provided under PFM Act.

Management Response

332. Fees is collected from students in accordance with the guidelines of the Ministry of Education through issuance of fees structure. Initially, the fees structure was made in that students were allowed to pay a year's fees in three instalments which made it difficult to collect 100% revenues leading to huge arrears as reported in the financial statements. Students calendar year begins in September to August hence before they can graduate to the next class, the financial year has already ended therefore any fee balance is treated as an arrear.

333. Currently, the fees structure is designed in that fees are paid in two installments (terms one and two) hence any student with a balance can clear before the end of the financial year. The BoM has come up with a policy to safeguard prompt fee collection.

Committee Observation

334. The Management had come up with a school fees payment policy to ensure prompt fees collection.

Committee Recommendations

335. The principal to ensure the policy is effectively utilized in recovering the arrears to reduce the balance.

5.1.6 Stalled Construction of Students Hostel

336. Included in the PPE balance of KES. 333,720,892 as disclosed in Note 31 to the financial statements is work progress of KES. 4,962,292 in respect of construction of students' hostel. Review of records revealed that the project commenced in the year 2017. However, physical inspection of the project in March, 2022 revealed that the hostel was still at the foundation level and the works had stalled with no contractor on site.

337. In the circumstances the value for money on expenditure of KES. 4,962,292 could not be confirmed.

Management Response

338. The college had an intention of building a 250-bed capacity ladies' hostel to help accommodate the growing population of female students in the teachers training colleges then. The project was to be funded by harambees and Rangwe CDF, however, the required amount was not realized. Should the BoM receive capitation from MoE, the completion of the project in phases would be prioritized.

Committee Observation

339. The project was started with the expectation of funding from CDF. The KES.4 million was spent on the foundation and was certified by the works officer for the foundation. The contract was terminated in 2018 with no costs due to lack of funding from CDF as envisioned.

Committee Recommendations

340. Management should involve the local Member of Parliament to allocate funds from the Constituency Development Fund (CDF) to ensure the project's completion.

5.1.7 Lack of Staff Establishment

341. Review of human resource records revealed that the College has been operating without an approved staff establishment to ensure that appropriate systems, procedures, structures, skilled and competent staff are in place at the optimal level to deliver its mandate to the students and other stakeholders. In the circumstances, it was not possible to confirm whether the total staff in the employment of the college was the optimal number required for effective operations.

Management Response

342. The establishment used by the college was approved by the Ministry of Education back in the year 2011. The college is in the process of developing a staff establishment.

Committee Observation

343. Lack of a staff establishment may have exposed the institution to the risk of not having the required skilled personnel, systems, procedures, and structures that should guide its working to ensure delivery of the set mandate to the students and other stakeholders.

Committee Recommendations

344. The principal to ensure the staff establishment is in place within 3 months after the adoption of this report by the House.

5.1.8 Lack of an Internal Audit Function Unit and Audit Committee

345. The College has not established an internal audit unit to provide assurance on the state of risks, its management and control in the entity. The College does not have an audit committee to monitor the entity's governance process, accountability process and control systems and to offer objective advice on issues concerning risk, control, regulatory requirements and governance. In the circumstances, risks and weaknesses existing in the system of internal controls could not be confirmed

Management Response

346. For a long time, the staff establishment in the teachers training colleges in Kenya do not have internal audit department because it has not been approved by the Ministry of Education. The new BoM will from time to time engage an audit Committee from the neighbouring tertiary institutions who have such a committee in place.

Committee Observation

347. The institution to have its own Internal Audit Function Unit and Audit Committee because they had not gotten an approval from the Ministry of Education.

Committee Recommendations

348. The principal to follow up with the Ministry of Education to ensure they have its own Internal Audit Function Unit and Audit Committee in place within six (6) months after adoption of this report by the House.

5.1.9 Lack of Risk Management Policy Framework.

349. The College does not have an approved Risk Management Policy and Risk Management Framework including strategies and procedures put in place to assess, identify, measure, prioritize and mitigate risks in the College. In the circumstances, the management lacks a mechanism to help in the detection and mitigation of any possible risk in the institution.

Management Response

350. The College has developed and implemented a risk management policy.

Committee Observation

351. The issue is resolved since the College has developed and implemented a risk management policy.

6.0 MABERA TECHNICAL AND VOCATIONAL COLLEGE

352. Mr. Stalin Olwenge, the Principal, accompanied by: -

    i) Cosmas Sioruri- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Mabera TVC, on 14th June 2023.

Audited statements for Financial Year 2019/2020

6.1.1 Unsupported Cash and Cash Equivalent Balance

353. The statement of financial position reflects cash and cash equivalents balance of KES.2, 476,101 whose supporting bank certificates and bank reconciliation statements were not

provided for audit. As a result, the accuracy and completeness of the reported cash and cash equivalent balance could not be confirmed.

Management Response

354. All the reconciliations were done on a monthly basis and bank certificates were there.

Committee Observation

355. The issue is resolved.

6.1.2 Unsupported Current Receivables from Exchange Transaction

356. The statement of financial position reflects current receivables from exchange transactions balance of KES. 14,379,97 1 which, as disclosed in Note 19 to the financial statements, includes student debtor's balance of KES. 12, 624, 971 whose supporting aging analysis schedule was not provided for audit and it was therefore not possible to establish for how long the debt had been outstanding. In addition, the College did not have a debt management policy.

357. In the circumstances, the recoverability of the student debtors of KES. 12,624,97 could not be confirmed.

Management Response

358. The accounting software that the institution is using lacks the feature for generating aging analysis schedules for debtors. The management has discussed with the supplier/service provider to add the feature in the software.

359. Currently, management has formulated a debt management policy.

Committee Observation

360. No debtor's policy on how debts should be recovered was in place at the time of the audit. Management made efforts to formulate a debt management policy.

Committee Recommendations

361. The Auditor to confirm if the Debt Policy will be in place in the next audit cycle.

6.1.3 Property, Plant and Equipment

i. Understatement of Assets

362. The balance of KES.53,842,296 includes KES.2,700,000 and KES, 448.191 in respect of borehole and fence respectively, both totaling to KES.3, 148,191. However, valuation

reports, payment certificates or original cost invoices in support of this latter balance were not provided for audit.

Management Response

363. By the time of auditing the management was doing asset tagging and valuation of all of its assets. Currently the institution has valuation report for it's for all of its asset.

ii. Non-Maintenance of an Asset Register

364. Further, the balance of KES.53, 842,296 excludes the value of two (2) hectares of land on which the College was built, despite the College owning the parcel of land.

Management Response

365. By the time of auditing the management had contracted professional valuer who was valuing of after all of its assets. Currently the institution has included the value of the land in its financial report receiving valuation report.

Committee Observation

366. The asset register is in place but does not have all the assets. All assets like land are not captured in the asset register. Valuation of the assets was done but land and buildings were not updated in the asset register.

Committee Recommendations

367. The Committee recommends the Accounting Officer to incorporate land and buildings in the asset register and to henceforth comply with Regulation 143 (1) and (2) of the Public Finance Management Regulations, 2015. The Auditor General to confirm that in the next audit cycle.

6.1.4 Unsupported Trade and Other Payables from Exchange Transactions

368. The statement of financial position reflects trade and other payables from exchange transactions balance of KES.1,594,774. However, an aging analysis report indicating how long the liabilities had been outstanding was not provided for audit. In the circumstance, the accuracy and completeness of the balance of KES.1,594,774 could not be confirmed.

Management Response

369. The accounting software that the institution is using lacks the features for generating aging analysis schedule for debtors. The management has discussed with the supplier/service provide adding the feature to the software.

Committee Observation

370. The management should have had the feature for aging analysis in place at the time when the software was procured. This is a clear manifestation of poor planning by the Management in acquiring the software.

Committee Recommendations

371. The Institution to ensure the aging analysis is in place within three months after the adoption of this report and the audit to confirm this in the next audit cycle.

6.1.5 Lack of Approved Budget

372. The Management did not provide an approved budget for the College for the year under review, contrary to Section 22(1) and (2) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013, which provide that 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 it 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 be exceeded without the prior written approval of the Cabinet Secretary.

373. In the circumstance, the Management was in breach of the law, and the regularity of expenditure of KES.l1, 946,798 reflected in the statement of financial performance could not be confirmed.

Management Response

374. By that time the institution was under the mentor institution (Mawego) that was running the affairs of the college, and all the transactions were being managed by the board of both institutions. Subsequent financial year's budgets were prepared, approved and submitted to the relevant ministry.

Committee Observation

375. The Committee observes that the matter has been resolved and the Office of the Auditor General has been satisfied with the response given by Management.

6.1.6 Non-Establishment of Internal Audit and Audit Committee

376. During the year under review, the College operated without an internal audit function Place. This was in contravention of section 73(1)(a) of the Public Finance Management Act, 2012.

377. Similarly, the College did not have an audit committee in place as required by Regulation 174(1) of the Finance Management (National Government) Regulations, 2015. In the absence of oversight of the Management, internal controls may have been period under Ineffective during the review, which may have resulted in loss of Funds.

Management Response

378. By the time of auditing the board had discussed the establishment of an internal Audit and Audit committee. Currently, the institution has established an internal audit and audit committee.

Committee Observation

379. At the time of the audit, the institution did not have an internal audit function and audit committee. They were getting internal audit support from Kisii National Polytechnic which was confirmed by the Auditor (OAG) during the submissions to the committee.

Committee Recommendations

380. The management and principal to ensure that the Internal Audit Function and Audit Committee are fully constituted and in place within the 3 months of the adoption of this report by the House.

6.1.7 Non-Establishment of Human Resource Department

381. The College had not established a human resource function or department, contrary to Section 27(2)(b) of the Management Technical and Vocational Education and Training Act, 2013, which requires governance and structures of all training institutions to decentralize decision-making authority with regard to human resource issues.

382. Further, the College did not have an approved Human resource policy manual that defines terms and conditions, promotions of casuals and permanent employees among other issues. In addition, the college did not have an approved staff establishment to guide on the optimal staff levels required to achieve its objectives.

383. In the circumstances, the College may face challenges in determining its optimal staffing levels while recruiting new staff since the available positions were not properly identified and defined in the organizational structure.

Management Response

384. By the time of auditing, there was acting human resource department that the board had approved to do the human resource activities. By the time of auditing the institution was using the Public Service Commission Human Resource Policy/Manual to guide on matters of recruitment and promotions. Currently, the management has its Human resource policy manual.

Committee Observation

385. Currently, they have the Department in place hence the issue is resolved.

6.1.8 Lack of Risk Management Policy

386. During the year under review, the College operated without an approved risk management policy to provide a framework for the management of risk and increasing risk awareness throughout the institution. In the circumstance, it was not possible to ascertain how risks were identified and mitigated during the year under review.

Management Response

387. By the time of auditing, management had formulated the risk management policy and educated the management and staff on the importance of the policy concerning the operations of the entity. The policy had been discussed and approved by the board it was just waiting to be signed. Currently, management has approved a risk management policy.

Committee Observation

388. Currently, they have the policy in place so the issue is resolved.

Audited statements for Financial Year 2020/21

6.1.9 Unsupported Student Debtors

389. The statement of financial position reflects portion of receivables from exchange transaction balance of KES. 8,792,535 which, as disclosed in Note 19 to the financial statements, include student debtors balance of KES. 8,746,535. However, the balance was not supported with debtors' schedules or ageing analysis. It was, therefore, not possible to establish for

how long the debts have been outstanding. Further, the college did not have a debt management policy. In the circumstances, the accuracy, completeness and recoverability of the student debtors' balance of KES. ,746,535 could not be confirmed.

Management Response

390. The accounting software that the institution is using lacks the features for generating aging analysis schedule for debtors but generates debtor's schedule. The management has discussed with the supplier/service provide to add the feature in the software. Please find attached file.

Committee Observation

391. This is a recurring issue from FY 2019/20. The management should have had the feature for aging analysis in place at the time when the software was procured. This is a clear manifestation of poor planning by the Management in acquiring the software.

Committee Recommendations

392. The Institution to ensure the aging analysis is in place within three months after the adoption of this report and the audit to confirm this in the next audit cycle.

6.1.10 Unsupported Property, Plant and Equipment

393. The statement of financial position as disclosed in Note 20(a) to the financial statements reflects property, plant and equipment balance of 50,8 1 5, 1 70. However, the balance was not supported with fixed asset register. Further, the balance includes KES. 2,430,000 and KES. 403,372 in respect of borehole and fence respectively which was not supported with valuation report, 1 payment certificates or purchase invoices. In addition, the value of two (2) hectres of land on which the college is situated was not incorporated into the property, plant and equipment as at year end. In the circumstances, the accuracy completeness, and security of the property, plant and equipment balance of KES. S0,815,170 could not be confirmed.

Management Response

394. By the time of auditing the management was doing asset tagging and valuation of all of its assets. Currently the institution has valuation report for it's for all of its asset. By the time of auditing the management had contracted professional valuer who was valuing of all of its assets. Currently the institution has included the value of the land in its financial report after receiving valuation report for its asset. By the time of auditing the management was doing

asset tagging, evaluation of all of its assets and making its asset register. Currently the institution has asset register.

Committee Observation

395. This is a recurring issue from FY 2019/20. The asset register is in place but does not have all the assets i.e., all assets like land are not captured in the asset register. Valuation of the assets was done but land and buildings were not updated in the asset register.

Committee Recommendations

396. To incorporate land and buildings in the asset register and the Audit to confirm that in the next audit cycle.

6.1.11 Lack of an Internal Audit and Audit Committee

397. Review of the overall internal control environment of the college revealed that, during the year under review, the college did not have an internal Audit function and Audit Committee. This was in contravention of Section 73(1)(a) of the Public Finance Management Act, 2012.

398. Similarly, the College did not have an audit committee in place as required by regulation 174 (1) of the Public Finance Management (National Government) Regulations, 2015. In the circumstances, the effectiveness of the College's internal controls systems and oversight could not be confirmed.

Management Response

399. By the time of auditing the board had discuss about the establishment of internal Audit and Audit committee. Currently the institution has established an internal audit and audit Committee.

Committee Observation

400. This is a recurring issue from FY 2019/20. At the time of the audit, the institution did not have an internal audit function and audit committee. They were getting internal audit support from Kisii that was confirmed by the Auditor (OAG) during the submissions to the committee.

Committee Recommendations

401. The management and principal to ensure that the Internal Audit Function and Audit Committee are fully constituted and in place within the 3 months of adoption of this report.

402. The Auditor to confirm the above in the next audit cycle,

6.1.12 Lack Of Human Resource Department

403. During the year under review, the College did not have a Human Resource function or department, contrary to Section 27(2) (b) of the Technical and Vocational Education and Training Act, 2013, which requires governance and management structures of all training institutions to decentralize decision-making authority about human resource issues.

404. Further, the College did not have an approved human resource policy manual that defines terms and conditions of employment and promotions of casuals and permanent employees among other issues. In addition, the College did not have an approved staff establishment to guide on the optimal staff required to achieve its objectives. In the circumstances, the College may face challenges in determining its optimal staffing levels while recruiting new staff if the available positions are not identified and defines in the organizational structure.

Management Response

405. By the time of auditing there was an acting human resource department that the board has approved to do the human resource activities. By the time of auditing the institution was using Public Service Commission Human Resource Policy/Manual to guide on matters recruitment and promotions. Currently the management has its Human resource policy manual.

Committee Observation

406. Currently, they have the Department in place hence the issue is resolved.

6.1.13 Lack of Risk Management Policy

407. During the year under review, the College did not have an approved risk management policy to provide a framework for the management of risk and creating risk awareness in the institution. This is Contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which stipulates that an accounting Officer shall ensure that the national Government entity develops risk management strategies, which includes fraud prevention mechanisms and system of risk management and internal controls that build robust business operations. In the circumstances, it was not possible to confirm the effectiveness of the College's management systems.

Management Response

408. By the time of auditing management had formulated the risk management policy and educated the management and staff on the importance of the policy concerning the

operations of the entity. The policy had been discussed and approved by the board just waiting to be signed. Currently management has approved risk management policy.

Committee Observation

409. Currently, they have the policy in place hence the issue is resolved.

7.0 RANGWE TECHNICAL AND VOCATIONAL COLLEGE

410. Mr. Ezekiel Omollo, Chief Principal, accompanied by: -

i) Jeremiah Ochieng -Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Rangwe Technical and Vocational College, on 14th June 2023.

Audited statements for Financial Year 2019/2020

7.1.1 Property, Plant and Equipment

411. The statement of financial position reflects property, plant and equipment balance totalling KES. 1,250,680, as further disclosed in Note 13 to the financial statements. However, examination of the asset registers and physical verification of the College's assets revealed that the institution owned land whose value was not included in the assets register or disclosed in the financial statements.

412. In the accuracy, completeness and fair presentation of property, plant and equipment circumstance balance totalling KES. 1,250,680 as at 30 June, 2020 could not be confirmed

Management Response

413. In 2021 we paid Ksh 44,200.00 for titling as was guided by State Department but they failed to provide the title deed. We have invited the Regional Valuation officer for valuation.

Committee Observation

414. The Accounting Officer is making progress in having the issue addressed.

Committee Recommendations

415. The Accounting Officer to expedite this issue and the Auditor to report in the next audit cycle.

Audited statements for Financial Year 2020/2021

7.1.2 Property, Plant and Equipment

416. The statement of financial position reflects property, plant and equipment balance totaling KES. 56,964,684, as further disclosed in Note 17 to the financial statements. However, examination of the assets registers and physical verification of the listed assets indicated that the College owned land of undetermined value that was not included in the assets register or disclosed in the financial statements.

417. As a result, the accuracy, completeness of the property, plant and equipment balance totaling KES. 56,964,684 as at 30 June, 2021 could not be confirmed.

Management Response

418. In 2021 we paid Ksh 44,200.00 for titling as was guided by the State Department but they failed to provide the title deed. We have invited the Regional Valuation officer for valuation.

Committee Observation

419. This is a recurring issue that also occurred in FY 20219/20. The Accounting Officer making progress in having the issue addressed.

Committee Recommendations

420. The Accounting Officer to finalize on this issue and the Auditor to report in the next audit cycle.

7.1.3 Budget Control and Performance

421. The statement of comparison of budget and actual amounts for the year under review reflects budgeted and actual receipts totalling KES. 22,512,440 and KES. 2,935,830 resulting to a shortfall of revenue totalling KES. 19,576,610 or 87% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling KES. 14,796,770 and KES. 3,854,157, respectively resulting in an under-expenditure of Ksh. 10,942,6123 or 74% of the budget.

Management Response

422. The budget projection in terms of population was adversely affected by Covid 19 outbreak. This not only reduced students' admission but also affected revenue collection.

Committee Observation

423. The institution has made significant progress in having the issues addressed. Currently, under-expenditure is 44%.

Committee Recommendations

424. The institute to continue with the improvement and the auditor to report on the progress in the subsequent audits.

7.1.4 Lack of Ethnic Diversity in Staffing

425. Audit review of employees' records indicated that out of the thirty-six (36) employees of the College comprised of twenty-four (24) teaching staff and twelve (12) non-teaching staff, 33, or 92% of the establishment were from one community. This was contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, 2008 which requires every public establishment to seek to represent the diversity of the people of Kenya in the employment of staff, and not have more than one-third of its staff from the same ethnic community.

Management Response

426. We strive to balance and give National outlook but our challenge is the low pay which only attracts majority of locals who operate from their homes. Kindly, note that we have reduced 92% of the local community to 88%.

Committee Observation

427. The Committee observes that this is a common issue across many institutions due to the location in local areas. However, the Accounting Officer should take deliberate efforts to ensure that there is compliance with the law

Committee Recommendations

428. The Committee recommends that the accounting officer puts in place deliberate efforts to ensure compliance with Section 7 (2) of the National Cohesion and Integration Act, 2008 and as duly stipulated under Article 232 (1) (h) and (I)(ii) of the Constitution.

7.1.5 Failure to Deduct and Remit Income Tax on Remuneration of Board of Governors

429. The statement of financial performance reflects expenditure on remuneration of Board of Governors totalling KES. 690,500 as disclosed in Note 11 to the financial statements. However, examination of records on the expenditure indicated that contrary to Section 5(2)

(a) of the Income Tax Act, sitting allowances totalling KES. 568,000 paid to Board members were not subjected to Income Tax

Management Response

430. This has been resolved and we are remitting appropriately.

Committee Observation

431. The Auditor confirmed that the issue has been resolved.

7.1.6 Lack of Human Resource Manual

432. Audit review of human resource records indicated that the College did not have a manual to guide the management of its human resource including selection, training and development, among other areas

Management Response

433. The manual has been developed and is operational.

Committee Observation

434. The Auditor confirmed that the issues have been resolved.

7.1.7 Lack of Internal Audit function

435. A review of the internal control system indicated that contrary to Section 73(1) & (5) Public Finance Management Act, 2012, the College had no internal audit function to provide assurance on the state of its internal control system. The law requires every National Government entity to have appropriate arrangements in place for conducting internal audit in accordance with guidelines issued by the Public Sector Accounting Standards Board.

Management Response

436. Kindly note that due to our inability to employ Internal Audit we hired Services of Internal Auditor from our neighbouring Institution.

Committee Observation

437. The institution does not have an internal audit function in place and is currently relying on the services of a neighbouring institution.

Committee Recommendations

438. The Committee recommends that management makes budgetary provisions in the current financial year to ensure an audit function is put in place. The Office of the Auditor General to report on the matter in the next audit cycle.

7.1.8 Lack of a Risk Management Policy and Framework

439. Similarly, the College did not have a documented risk management policy and framework and a risk register. As a result, Management may have lacked objective means for detecting, measuring and mitigating operational and other risks faced by the College.

Management Response

440. The college has put one in place.

Committee Observation

441. The Committee observes that the matter has been resolved as the auditor General confirmed that there is a Risk Management policy and Framework in place. Auditor confirmed that the issues has been resolved.

7.1.9 Lack of Information and Communication Technology Function and Policy

442. Review of the use of Information communication technology (ICT) indicated that the College did not have an ICT function and policy in place during the year under review. As a result, Management may have lacked guidance for effective investment in and use of ICT.

Management Response

443. The college has developed a policy which is guiding and assisting.

Committee Observation

444. The Committee observed that the matter is resolved as there is an ICT function and policy in place. The OAG confirmed that the issues had been resolved.

8.0 OMUGA TECHNICAL AND VOCATIONAL COLLEGE

445. Mr. John Omondi Owoko, Principal/ Chief Accounting Officer, accompanied by: -
   i) Fredrick Ouma

Appeared before The Committee to adduce evidence on the audited accounts of Omuga TVC, on 14th June 2023

Audited statements for Financial Year 2019/20

8.1.1 Inaccuracies in Revenue from Exchange Transactions

446. The statement of financial performance reflects revenue from exchange transaction amount of KES.7,595,010 which includes revenue from rendering of services and other income of KES.6,995,120 and KES.599,890 respectively. However, as disclosed in Note 7 and Note 8 to the FSs, both amounts include same revenue items amounting to KES.351,880 (Boarding-KES.21,000; Admissions & ID-KES.198,200; Examinations-KES.5,480; Registration-KES.2,200; and Advances-KES.125,000) resulting to double counting.

447. In the circumstances, the accuracy of the revenue from exchange transactions amount of KES.7,995,010 and KES.599,890 could not be confirmed.

Management Response

448. Based on the observation, this anomaly was noted, and necessary adjustment will be made in the FY 2022-2023 FSs to correct the overstatement. In addition, the Management has strengthened the controls over financial reporting by ensuring that draft financial statements are reviewed by the internal audit unit for accuracy and compliance with the prescribed template before submission to the OAG for auditing.

Committee Observation

449. Having the error since FY 2019/20 implies lack of seriousness by the Management in having the issue resolved and should proactively try solving the errors raised.

Committee Recommendations

450. The committee recommends that management corrects the errors. The OAG to confirm on the matter in the next cycle.

8.1.2 Unsupported Receivables

451. The statement of financial position reflects receivables from exchange transactions and receivables from non-exchange transactions balances of KES.2,822,920 and respectively. However, the balances were not supported with schedules and ledgers.

Management Response

452. The difference of KES 1,103,092 is due to application of accrual accounting policy in recognition of rendering of services of KES 3,051,004 reported in Financial Performance

statement as per attached summary and cash accounting policy for collections from rendering of KES 4,154,096 reported in Cash flow statement as per summary attached.

453. In the circumstances, the accuracy and completeness of the reported receivables balances could not be confirmed.

Committee Observation

454. The Committee observes that the issue has been resolved since Management had provided the support schedules to the Auditor for verification. And the Office of the Auditor General was satisfied with the response provided by management.

8.1.3 Unsupported Property, Plant and Equipment (PPE)

455. The statement of financial position reflects PPE balance of KES.53,936,652 as disclosed in Note 18 to the FSs. The balance constitutes an amount of KES.54,361,536 in respect of inherited assets. However, valuation reports in support of the inherited assets balances of KES.54,361,536 as at 1 July 2019 were not provided for audit.

456. Further, the value of the parcel of land on which the College was built, measuring approximately 3.8 acres could not be ascertained while ownership documents were not provided for audit.

457. In addition, machinery and equipment of unknown values donated to the College by the Ministry of Education and recorded in the assets register were not included in the PPE schedule.

458. In the circumstances, the accuracy and fair value of the PPE balance of KES.53,936,652 could not be confirmed.

Management Response

459. Based on the findings, we wish to clarify that: -

(i) The KES.53,936,652 recorded in the PPE was the cost of Building Furniture and fittings, Computers and Company Institutional seal (Other Assets) as per the PPE Schedule in the Financial Statements. However, the Management was unable to undertake a comprehensive valuation exercise for all the College assets during the FY 2019-2020 as planned due to funding challenges We have however scheduled to undertake a comprehensive valuation for the Assets during the FY 2023-2024.

(ii) The College was built on parts of four (4) different land parcels, Kabondo/Kodhoch East/345, 810, 811 & 348, whose titles and ownerships were still under the deceased original owners; Malago On 'gany, Adika Rama. Agao Sule and the County Council of South Nyanza respectively. However, the parcels could not be valuated since their sizes and exact boundaries were not yet known. In view of this, the Board engaged the various stakeholders and initiated succession processes for the parcels to allow for the transfers and titling of the parcels. So far, the Management has finalised the succession and transfer of the land parcel: Kabondo/Kodhoch East/810 (Approx. 0.9 HA) to the College as evidenced by the attached Title Deed (Annex 3). However, the succession processes for land parcels: Kabondo/Kodhoch East/345 & 811 are in progress while the request for change of Reserved User Name for parcel N Kabondo/Kodhoch East/ 348 was presented to the Homa Bay County through the National Land Commission (Homa Bay) in February 2023. The management hopes to finalize the transfers in the course of the FY 2023/2024.

(iii)As pointed out in the report, the values of the machinery and equipment donated to the College by the Ministry of Education were initially unavailable since the Ministry had not provided the same. However, the Ministry later availed the block value of the various categories of equipment supplied to various institutions vide the letter Ref No: MOE/DTE/6/5/IVOL. XVIII (37) Dated 24/11/2022(Annex 6). The management hopes to undertake a comprehensive valuation for the machinery and equipment during the FY 2023-2024 to ascertain their individual values for inclusion in the PPE balance.

Committee Observation

460. The college has serious financial challenges preventing it from doing the valuation. However, a comprehensive valuation is planned in FY 2023/24 if resources are availed.

Committee Recommendations

461. The Accounting Officer has six months to finalize the issue for the 2 parcels and the Auditor to report in the next audit cycle. For PPE the Office of the Auditor General to report on the matter in subsequent audits.

8.1.4 Unexplained Variance in the Value of Inherited Assets

462. The statement of changes in net assets reflects the value of inherited assets of KES.52,721,122 as at 1 July 2019 which differs with the balance of KES.54,361,536 disclosed in Note 18 to the FSs. The resulting difference of KES.1,640,414 was not explained or reconciled.

463. In the circumstances, the accuracy and completeness of the value of inherited assets balance of KES.52,721,122 could not be confirmed.

Management Response

464. Management regrets the error in note 18 to the FS and has strengthened the controls over financial reporting by ensuring that draft FSs are reviewed by the internal audit unit for accuracy and compliance with the prescribed template before submission to the OAG for auditing.

Committee Observation

465. The Committee observes that numerous errors in financial statements which is a clear demonstration of incompetence and lack of seriousness by the Management and the accounting team of the College.

Committee Recommendations

466. The Committee reprimands the Accounting Officer for the avoidable errors and recommends that the management ensures it has competent officers in the institution to avoid these errors.

8.1.5 Budgetary Control and Performance

467. The statement of comparison of budget and actual amounts reflects total budgeted revenue of KES.14,824,000 and actual revenue of KES.5,772,090 resulting in a shortfall of KES.9,051,910 or 64% of the approved budget. Similarly, the statement reflects total expenditure of KES.4,240,559 against an approved budget of KES.14,824,000 resulting in an under-expenditure of KES.10,583,441 or 71% of the budget.

468. The revenue shortfall and the under-expenditure constrained execution of planned activities and may have impacted negatively on delivery of services to the public.

Management Response

469. The Management projected to receive Government Capitation grant of KES.6,000,000 for students during FY 2019/2020. However, the College failed to receive any Capitation grant

in the course of the FY. Additionally, the College received KES.1,000,000 out of the KES.2,000,000 operational grant projected for the year. Additionally, the outbreak of Covid-19 in March 2020 led to an abrupt closure of all learning institutions for the rest of the FY 2019/2020. These challenges adversely affected the general performance of the College, leading to the notably high variation between the amounts received and the amounts projected. The wide variation between the projected income of KES.14,824,000 and the actual collection of KES5,772,090 for the FY 2019/2020 led to the poor implementation of planned College Projects and activities.

Committee Observation

470. This is a common issue across many institutions that solely rely on GoK funding to implement its planned programmes and activities.

Committee Recommendations

471. The institution to come up with other income generating activities to stop reliance on GoK exchequer.

8.1.6 Unlicensed Trainers

472. Review of records revealed that the trainers in the College did not have valid licenses contrary to Section 23 of the TVET Act, 2013 which requires that any person who intends to become a trainer in an institution to apply for licensing and registration by the Board.

Management Response

473. As was correctly noted, most of our trainers (both BOG and PSC) were not licenses by TVETA at the time of the audit. Some were however already trained and registered with TSC and/or applied for registration by TVETA. To address the matter, we have been advising our trainers to apply for licensing by TVETA and those without pedagogy to enrol for it (at KSTVET and PGDE) to enable them to be licensed. Currently (FY 2022/2023), the institution has a total of 39 BOG trainers out of whom 23 (59%) have undergone pedagogical training while the remaining 16 (41%) are yet to undergo the training but are qualified in their respective arears of specializations. We continue encouraging those already trained to apply for TVETA licensing and we hope all shall have been licensed by the end of year 2023.We also expect those that do not have pedagogy to enrol for the same as soon as possible. Otherwise, we will continue replacing them with those already trained.

Committee Observation

474. By having unlicensed trainers, the institute not only violated the law but also compromised the quality of training given to the students.

Committee Recommendations

475. The principal to ensure he hires the rightful trainers to avoid a breach of the law as stipulated under Section 23 of the TVET Act. And the trainers without licences to ensure they regularize and obtain the required licenses within six months after the Adoption of the Report.

8.1.7 Non-Adherence to the Law on Ethnic Diversity

476. Analysis of the staff files and staff master data revealed that out of the 40 staff members of the College, 35 or 88% were from the dominant community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff; and not to have more than one third of its staff from the same ethnic community.

Management Response

477. As correctly noted, a large majority of our BOG staff (88%) were from the dominant (Luo) community contrary to the constitutional requirement of ethnic diversity and one-third gender rules. This fact was majorly due to the fact that when the College became operational (in 2019), most of the staff engaged were from the locality and were mostly engaged on short term/contracts.

478. The management plans to gradually narrow the gap during the recruitment of both PSC Trainers and BOG staff by advertising for the BOG vacancies and taking into account the affirmative action when recruiting. The overall ethnic mix for the College staff has slightly improved (to 84.1% for all staff or 87.8% for the BOG staff only). However, the gap is still very high since the College is yet to substantively recruit the required essential BOG support staff. With regards to balance, the College's current gender mix is fairly good as (all staff: M: F= 65.1%:34.9% or 59.2%:40.8% for BOG Staff).

Committee Observation

479. The Committee recommends that the Accounting Officer makes deliberate efforts to ensure compliance with the law under Article232 (1) (h) and (I)(ii) of the Constitution.

Committee Recommendations

480. The Office of the Auditor General to monitor the progress made towards compliance with the law and to report on the matter in subsequent audits.

<u>Audited statements for Financial Year 2020/21</u>

8.1.8 Unsupported Income from Production Unit

481. The statement financial performance reflects other income amount of KES.912,468 which as disclosed in Note 8 to the FSs includes income from production unit of KES.376,158. However, no evidence was provided for audit in the form of work tickets, job cards, invoices or receipt books for the jobs done and approved tariffs or rates for the services offered by the tractors.

482. In the circumstances, the accuracy and completeness of the production unit income of KES.376,158 could not be confirmed.

Management Response

483. In view of the findings, the management purchased the work tickets, invoices and receipts books to ensure accountability in Tractor operations. Management is currently collecting and compiling data on market rates and tariffs to enable in development of an approved tariffs and rates for Tractor services.

Committee Observation

484. Not providing the required documentation is an indication of lack of seriousness and incompetence by the accounting officer and the accounting team.

Committee Recommendations

485. The principal is cited for incompetence for not running the institution as required.

8.1.9 Inaccuracies in Employee Costs

486. The statement of financial performance reflects employee costs amounting to KES.3,021,632 which differs with the corresponding amount of KES.2,761,380 recorded in the payroll resulting in an unexplained variance of KES.260,252.

487. In the circumstances, the accuracy and completeness of the employee costs amounting to KES.3,021,632 could not be confirmed.

Management Response

488. Based on the observation, this anomaly was noted, and it was as a result of failure to provide for audit verification all the monthly payrolls which have now been availed for verification.

Committee Observation

489. Based on the availed documentation, the auditor confirmed that the issue is resolved.

Committee Recommendations

490. The Committee recommends that the Accounting Officer Should ensure that such anomalies do not recur in the future.

8.1.10 Misclassification of Expenditure on Remuneration of the Board

491. The statement of financial performance reflects expenditure on use of goods and services totaling KES.6,078,509 which as disclosed in Note 9 to the FSs, includes local travelling and transport amount of KES.423,310, However, the expenditure ought to have been accounted for under remuneration of Board of Governors expenditure item.

Management Response

492. The expenditure of KES.423,310 related to staff local travelling and transport expenses, the relevant support documentation was shared with the auditor for verification.

Committee Observation

493. As per the submitted support documentation, the auditor confirmed that the issues is now resolved.

Committee Recommendations

494. The issue is resolved however, the accounting officer to ensure that such anomalies do not reoccur in the future.

8.1.11 Unsupported Property, Plant and Equipment (PPE)

495. The statement of financial position reflects PPE balance of KES.53,881,977 as disclosed in Note 18 to the FSs. However, as previously noted, valuation reports in support of the inherited assets balance of KES.54,361,536 as at 1 July, 2019 were not provided for audit.

496. Further, the value of the parcel of land on which the College was built, measuring approximately 3.8 acres could not be ascertained while ownership documents were not provided for audit.

497. In addition, machinery and equipment of unknown values donated to the College by the Ministry of Education and recorded in the assets register were not included in the PPE schedule.

498. In the circumstances, the accuracy and fair value of the PPE balance of KES.53,881,977 could not be confirmed.

Management Response

499. Based on the findings, we wish to clarify that:

(i) The KES.53,936,652 recorded in the PPE was the cost of Building, Furniture and fittings, Computers and Company/Institutional seal (Other Assets) as per the PPE Schedule in the Financial Statements. However, the Management was unable to undertake a comprehensive valuation exercise for all the College assets during the FY 2020-2021 as planned due to funding challenges. We have however scheduled to undertake a comprehensive valuation for the Assets during the FY 2023/2024;

(ii) The College was built on parts of four (4) different land parcels; Kabondo/Kodhoch East/ 345, 810, 811 & 348, whose titles and ownerships were still under the deceased original owners; Malago On'gany, Adika Rama, Agao Sule and the County Council of South Nyanza respectively. However, the parcels could not be valuated since their sizes and exact boundaries were not yet known. In view of this, the Board engaged the various stakeholders and initiated succession processes for the parcels to allow for the transfers and titling of the parcels. So far, the Management has finalized the succession and transfer of the land parcel Kabondo/Kodhoch East/810 (Approx. 0.9 HA) to the College. However, the succession processes for land parcels: Kabondo/Kodhoch East/345 & 811 are in progress while the request for change of Reserved User Name for parcel No. Kabondo/Kodhoch East! 348 was presented to the Homa Bay County through the National Land Commission (Homa Bay) in February 2023. The management hopes to finalize the transfers in the course of the FY 2023/2024.

(iii) As pointed out in the report, the values of the machinery and equipment donated to the College by the Ministry of Education were initially unavailable since the Ministry had not provided the same. However, the Ministry later availed the block value of the various categories of equipment supplied to various institutions vide the letter (Ref No: MOE/DTE/6/5/1VOL. XVIII (37) Dated 24/11/2022). The management hopes to undertake a comprehensive valuation for the machinery and equipment during the FY 2023/24 to ascertain their individual values for inclusion in the PPE balance.

Committee Observation

500. The college has serious financial challenges preventing it from doing the valuation. However, comprehensive valuation is planned in FY 2023/24 if resources are availed.

Committee Recommendations

501. The Accounting Officer has six months to finalize the issue on the 2 parcels and the Auditor to report in the next audit cycle. For the Property Plant and Equipment the OAG to confirm in the next audit cycle based on the response given.

8.1.12 Unsupported Cash and Cash Equivalents

502. The statement of financial position reflects cash and cash equivalents balance of KES.958,631 which as disclosed in Note 15 to the FSs, includes a balance of KES.272,250 held in Equity Bank. However, bank reconciliation statements in support of the balance were not provided for audit.

503. In the circumstances, the accuracy of cash and cash equivalent balance of KES.958,631 could not be confirmed.

Management Response

504. Based on the findings, we have provided the bank reconciliation statement for your verification.

Committee Observation

505. As per the submitted support documentation, the auditor confirmed that the issue is now resolved.

Committee Recommendations

506. The issue is resolved; however, the accounting officer must ensure that such anomalies do not recur in the future.

8.1.13 Budgetary Control and Performance

507. The statement of comparison of budget and actual amounts reflects total budgeted receipts of KES.16,513,000 and actual receipts on comparable basis of KES.11,148,330, resulting to under-collection of KES.5,364,670 or 32% of the budget. Similarly, the statement reflects final budgeted expenditure of KES.16,513,000 and actual expenditure on comparable basis of KES.10,857,091, resulting to under expenditure of KES.5,655,909 or 34% of the budget.

508. The under collection and under-expenditure constrained planned activities and may have impacted negatively on the service to the public.

Management Response

509. Management projected to receive Government Capitation grant of KES.6,000,000 for students during the FY 2020/2021. However, the College instead received Capitation grant of KES.5,077,500 and only KES.500,000 out of the KES.2,000,000 Operational grant projected for the year. Furthermore, the outbreak of Covid-19 in March 2020 led to an abrupt closure of all learning institutions for the rest of the FY 2019/2020 and the entire first half of the FY 2020/2021. The institutions opened in early 2021 but were once again closed due to the second wave of the Covid-19 outbreak The Covid-19 outbreaks severely affected enrolment and the general performance of the College, leading to the notably high variation between the amounts received and the amounts projected, hence the poor implementation of the planned College projects and activities.

Committee Observation

510. This is a recurring issue from FY 2019/2020, and it is common across many institutions that do solely rely on GoK funding to implement its planned programmes and activities.

Committee Recommendations

511. The institution to come up with other income generating activities to stop reliance on GoK exchequer.

8.1.14 Non-Adherence to the Law on Ethnic Diversity

512. Review of records revealed that out of the 40 staff members of the College, 35 or 88% were from the dominant community, while only 12% were from other ethnic communities. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which require all public establishments to seek to represent the diversity of the people of Kenya in the employment of staff; and not to have more than one third of its staff from the same ethnic community.

513. In the circumstances, Management was in breach of the law as duly provided for under Article 232 (1) (h) and (I)(ii) of the Constitution.

Management Response

514. As correctly noted, a large majority of our BOG staff (8896) were from the dominant (Luo) community contrary to the constitutional requirement of ethnic diversity and one-third gender rules. This fact was majorly due to the fact that when the College became operational

(in 2019), most of the staff engaged were from the locality and were mostly engaged on short term/contracts.

515. The management plans to gradually narrow the gap during the recruitment of both PSC Trainers and BOG staff by advertising for the BOG vacancies and taking into account the affirmative action when recruiting. As indicated in Annex 8, the overall ethnic mix for the College staff has slightly improved (to 84.1% for all staff or 87.8% for the BOG staff only). However, the gap is still very high since the College is yet to substantively recruit the required essential BOG support staff.

Committee Observation

516. This is a recurring issue from FY 2019/2020 and its common across many institutions and deliberate actions should be taken by accounting officers to ensure compliance with the law.

Committee Recommendations

517. The Committee recommends the principal to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

8.1.15 Irregular Payment of Salaries

518. The statement of financial performance reflects employee costs of KES.3,021,632. However, review of the payroll records revealed that some workers were paid salaries at rates that were lower than the minimum wages recommended in the Kenya Gazette Supplement No. 1 of 2018. The basis and criteria used in the remuneration of the members of staff was not provided for audit.

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

Management Response

520. As noted in the findings, the Board has not been able to pay the current staff at the SRC recommended minimum wages due to financial limitations. The College is relatively young but with unsustainably high wage bill. However, based on the recommendations, the management commits to expeditiously engage the Board on the matter with the view of complying with the minimum wage requirements effective from the FY 2023/2024.

Committee Observation

521. Budget constraint has inhibited the Board from paying the required wages as set by law.

Committee Recommendations

522. The principal to follow the law as stipulated under Section 68 (1) (a) & (b) of the PFM Act and ensure staff are paid the required wages.

8.1.16 Lack of Risk Management Policy and Framework

523. Review of records revealed that the College operated without an approved Risk Management Policy and a framework on strategies and procedures to ensure smooth operations. The College does not also have in place a Disaster Recovery Plan, a Business Continuity Plan and a Risk Register.

524. In the circumstances, the effectiveness in management of the Information Communication Technology systems could not be confirmed.

Management Response

525. In view of the findings and recommendation, the management commits to develop the Risk Management Policy as well as other relevant policies during the FY 2023/2024.

Committee Observation

526. Management is in the process to have a Risk Management Policy in place.

Committee Recommendations

527. The principal to ensure the Risk Management Policy is in three months and the Auditor to confirm the same in the next audit cycle as stipulated under the Regulation 165(1)(a) &(b) of PFM (National Govt) Regulations, 2015 stipulates that Accounting Officer shall ensure that the national government entity develops—(a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations. These are the crucial roles that are supposed to be played by the Accounting Officer in matters concerning risk management

8.1.17 Internal Audit and Audit Committee

528. Review of the records revealed that there was no Internal Audit Unit to ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

529. Further, although an Audit Committee had been constituted, it did not meet the thresholds of four sittings within the financial year since only one meeting took place.

530. In the circumstances, the effectiveness in mitigating against the risk and weakness existing in the internal controls could not be confirmed.

Management Response

531. In view of the findings and recommendation, the management started engaging the services of an Internal Auditor from the Mentor Institution (RIAT) in July 2022 to assist in carrying out quarterly internal audits while also serving as the secretary to the BOG audit committee.

Committee Observation

532. Management is in the process of having a Risk Management Policy in place.

Committee Recommendation

533. The principal to ensure the internal audit function in place as guided under Section 73(5) of the PFM Act is in 3 months and the Auditor to confirm the same in the next audit cycle. In addition, the Accounting Officer (principal) to be capacity build on PFM guidelines.

9.0 SEME TECHNICAL AND VOCATIONAL COLLEGE

534. Mr Kenneth Odero, Principal/ Chief Accounting Officer, accompanied by;

i) Ms. Linet Anyango – Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Seme TVC, on 14th June 2023

Audited statements for Financial Year 2019/2020

9.1.1 Unsupported Property Plant and Equipment

535. The statement of financial position and as disclosed in Note 18 to the financial statements reflects an amount of KES.93, 475,625 for property, plant and equipment. The amount includes land at a cost of KES.3, 000,000 and buildings valued at KES.77, 500,000 that were acquired through donations during the year under review.

536. However, no documentation was provided to support the valuation adopted for these assets. In addition, asset procured during the year amounting to KES.534, 105 were not supported by schedules.

537. In the circumstances, the accuracy and completeness of property, plant, and equipment of KES.93, 475,625 could not be confirmed.

Management Response

538. Valuation of land and buildings done, and copy attached for verification.

539. Supporting schedules for fixed assets procured during the year attached for verification (Computer and Accessories KES 20,000 and Furniture and Fittings KES.514,105 amounting to KES 534,105).

Committee Observation

540. The Committee observes that the land parcel the institution occupies is not under the institution's name but under a different name (old), which was previously used. There is a legal battle over encroachment that has been going on since 2022. The case is preventing the institution from changing its name to Seme. The plaintiff never appeared in the July 2022 court proceedings, and the advice sort from the Office of the Auditor General is that if the plaintiff does not show within the next two years, the case collapses.

Committee Recommendations

541. The institution has six months after the adoption of this report to comply with the law by following the issue with the OAG.

9.1.2 Inaccuracies in the Statement of Cash Flows

542. The statement of financial performance and as disclosed in Note 7 to the financial statements, reflects revenues on rendering of services (fee from students) amount of KES 3,051,004 per attached summary. However, the statement of cash flows reflects an amount of KES 4,154,096 on the same item, resulting to an unexplained and unreconciled variance of KES 1,103,092In the circumstances, the accuracy and completeness of statement of cash flows could not be confirmed.

Management Response

543. The difference of KES 1,103,092 is due to application of accrual accounting policy in recognition of rendering of services of KES 3,051,004 reported in Financial Performance statement as per attached summary and cash accounting policy for collections from rendering of KES 4,154,096 reported in Cash flow statement as per summary attached.

Rendering of services in Cash Flow Statement (Cash accounting policy)

Month	Cash Collections from Parents	HELB Loan Received	CDF Bursaries Received	Actual Cash Received
	KES	KES	KES	KES
Sept 2019	278,990	0	0	278,990
Oct 2019	164,180	0	0	164,180
Nov 2019	7,800	0	0	7,800
Dec 2019	8,300	0	0	8,300
Jan 2020	328,540	354,600	0	683,140
Feb 2020	150,580	0	1,744,580	1,895,160
Mar 2020	39,126	132,000	0	171,126
Apr 2020	0	0	0	0
May 2020	0	0	0	0
June 2020	10,000	686,400	249,000	945,400
Total cash	**987,516**	**1,173,000**	**1,993,580**	**4,154,096**

Rendering of Services in Statement of Financial Performance (Accrual Accounting)

Vote Head	KES
Tuition fee	858,800
Registration fee	90,550
Activity fee	254,800
Industrial Attachment Levy	347,000
Personnel Emoluments	510,600
RMI Levy	118,100
Local Transport	275,865
EWC Levy	203,689
ICT Levy	173,500
Medical	114,000
Insurance	104,100
Total cash expected	**3,051,004**

Committee Observation

544. There is incompetence from the finance team in not being able to do a proper reconciliation and explain the variance.

Committee Recommendations

545. The Committee recommends that finance team liaises with the OAG to reconcile the variations. The Accounting Officer should also ensure that the officers are adequately trained to avoid these errors.

Disputed Ownership of Land and Lack of Title Deed

546. The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment of KES.93, 475,625. Review of records provided for audit revealed that the College does not have a title deed for the land valued at KES.3, 000,000 on which it stands.

547. Information availed for audit revealed that in the month of March, 2021 a citizen went to court claiming ownership of part of the land and the case is pending determination.

548. In the circumstances the ownership of the college land valued at KES.3,000,000 could not be confirmed.

Management Response

549. The report from the office of the attorney general's office on the status of the land case claiming ownership of part of the land is that no progress has been made since 2021 since the claimant has since seemed to have given up on the case, failing to appear for the hearing since January 2022.

550. Copy of title deed confirming the college land ownership was attached for verification.

551. Copy of the progress of the case in court quoted above was also attached.

Committee Observation

552. The Committee observes that the land parcel the institution occupies is not under the institution's name but under a different name (old), which was previously used. There is a legal battle over encroachment that has been going on since 2022. The case is preventing the institution from changing its name to Seme. The plaintiff never appeared in the July 2022 court proceedings, and the advice sort from the office of AG that if the plaintiff does not show within the next two years, the case collapses.

Committee Recommendations

553. The institution has six months to comply with the law by following the issue with the AG.

9.1.3 Budgetary Control and Performance

554. The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of KES.13, 445,300 and KES.8, 268,504 respectively resulting to shortfall of KES.5, 176,796 or 39% of the approved budget.

555. Similarly, the college spent a total of KES.5,377,446 against an approved expenditure budget of KES 13,445,300 resulting to under expenditure of KES 8,067,854 or 60% of the budget.

556. The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to citizens.

Management Response

557. It is true that the management did not collect all the projected receipts and, as a result, had underspending. The management will strive in the future to meet its budget commitments. In the year 2019/2020, the school had just started, and there was an outbreak of COVID-19 that resulted in a 60% variance. The management will strive in future to meet its budget commitments.

Committee Observation

558. This was a common issue during COVID-19 due to containment measures put in place during the pandemic.

Committee Recommendations

559. The management to ensure the reduction of the variance in the future. Auditor to confirm this in the next audit cycle.

9.1.4 Failure to Maintain an Assets Register

560. The statement of financial position and as disclosed in Note18 to the financial statements, reflects property, plant and equipment balance of KES.93,475,625 However, management did not provide anassets register.

561. This is contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates 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 law.

Management Response

562. The fixed assets register was attached for verification.

Committee Observation

563. The Committee observes incompetence from the office of the Accounting Officer.

Committee Recommendations

564. The Committee reprimands the Accounting Officer for negligence and incompetence.

9.1.5 Lack of Segregation of Duties in Cash and Stores Management

565. During the financial year under review, it was noted that the duties of handling cash, maintaining cashbook, preparation and checking bank reconciliations were being handled by one person. Similarly, one officer oversaw the procurement process and also receiving, issuing and recording all store transactions.

566. In the circumstances, the segregation of duties was not effective, and errors and fraud may not be detected.

Management Response

567. The management engaged an Accounts clerk in June 2022 to ensure segregation cash handling duties as per attached contract and job description.

568. With effect from June 2023, the management assigned stores management duties to a suitable support staff effect to ensure segregation of duties in Stores and Procurement management as per attached contract and job description.

Committee Observation

569. The Accounts clerk has been recruited and the matter will be covered in the next audit.

Audited statements for Financial Year 2020/2021

9.1.6 Unsupported Property, Plant and Equipment

570. The statement of financial position and as disclosed in Note 17 to the financial statements, reflects property, plant and equipment balance of KES.91,539,871 which includes land at a cost of KES.3,000,000 and buildings valued at KES.77,500,000 that were donated to the College during the year under review.

571. However, Management did not provide any evidence in support of the land and buildings balance. Further, the assets procured during the year amounting to KES.2,691,750 were not supported with the requisite schedules.

572. In the circumstances, the accuracy and completeness of property, plant and equipment of KES.91,539,871 could not be confirmed.

Management Response

573. Valuation of land and buildings done, and copy attached for verification.

574. Supporting schedules for fixed assets procured during the year attached for verification (Computer and Accessories KES 1,298,860 and Furniture and Fittings KES 761,135, Property and Equipment KES 631,800)

Committee Observation

575. The Committee observes that the land parcel the institution occupies is not under the institution's name but under a different name (old), which was previously used. There is a legal battle over encroachment that has been going on since 2022. The case is preventing the institution from changing its name to Seme. The plaintiff never appeared in the July 2022 court proceedings, and the advice sought came from the office of the AG that if the plaintiff does not show within the next two years, the case collapses.

Committee Recommendations

576. The institution has six months after the adoption of this report to comply with the law as stipulated under Regulation 143 (1) of the PFM (National Govt) Regulations, 2015 which provides that Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws by following the issue with the OAG.

9.1.7 Inaccuracies in the Statement of Cash Flows

577. The statement of financial performance and as disclosed in Note 7 to the financial statements, reflects revenues on rendering of services (fees from students) amount of KES.6,160,045. However, the statement of cash flows reflects an amount KES.3,311,916 on the same item, resulting to an unexplained and unreconciled variance of KES.2,848,129. In the circumstances, the accuracy and completeness of statement of cash flows could not be confirmed.

Management Response

578. The difference of KES 2,848,129 is due to application of accrual accounting policy in recognition of rendering of services of KES 6,160,045 reported in Financial Performance

statement as per attached summary and cash accounting policy for collections from rendering of KES 3,311,916 reported in Cash flow statement as per summary attached.

Rendering of services in Cash Flow Statement (Cash accounting policy)

Month	Cash Collections from Parents	HELB Loan Received	CDF Bursaries Received	Actual Cash Received
	KES	KES	KES	KES
July 2020	0	0	0	0
Aug 2020	10,370	70,000	0	80,370
Sep 2020	20,670	0	0	20,670
Oct 2020	56,950	0	0	56,950
Nov 2020	102,230	0	0	102,230
Dec 2020	600	0	0	600
Jan 2021	68,126	844,800	50,000	962,926
Feb 2021	350,820	0	0	350,820
Mar 2021	111,060	1,131,600	0	1,242,660
Apr 2021	130,100	26,400	0	156,500
May 2021	179,920	0	0	179,920
June 2021	105,470	52,800	0	158,270
Total cash	**1,136,316**	**2,125,600**	**50,000**	**3,311,916**

NB: Detailed Cash Flow Movement for the year attached.

Rendering of Services in Statement of Financial Performance (Accrual Accounting)

Vote Head	KES
Tuition fee	1,624,780
Registration fee	69,400
Activity fee	464,850
Industrial Attachment Levy	448,000
Personnel Emoluments	1,021,400
RMI Levy	227,269
Local Transport and Travelling	535,036
EWC Levy	394,826

ICT Levy	336,500
Medical	201,900
Insurance	98,334
Examination fee	737,750
Total rendering services due	**6,160,045**

Committee Observation

579. There is incompetence from the finance team in not being able to do a proper reconciliation and explain the variance.

Committee Recommendations

580. The Committee recommends that finance team liaise with the OAG to reconcile the variations. The Accounting Officer should also ensure that the officers are adequately trained to avoid these errors.

9.1.8 Disputed Ownership of Land and Lack of Title Deed

581. The statement of financial position and as disclosed in Note 17 to the financial statements, reflects property, plant and equipment balance of KES.91, 539,871. However, and as previously reported, review of records provided for audit revealed that the College does not have a title deed for the land valued at KES.3, 000,000 on which it stands. Further, available information revealed that in the month of March, 2021 a citizen went to court claiming ownership of part of the land and the case is still pending determination.
582. In the circumstances, the ownership of the college land valued at KES.3, 000,000 could not be confirmed.

Management Response

583. The report from the office of the attorney general's office on status of the land case claiming ownership of part of the land is that no progress has been made since 2021 since the claimant has since seemed to have given up on case failing to appear for the hearing since January 2022.
584. Copy of title deed confirming the college land ownership has been attached for verification.
585. Copy of the progress of the case in court quoted above attached.

Committee Observation

586. The Committee observes that the land parcel the institution occupies is not under the institution's name but under a different name (old), which was previously used. There is a legal battle over encroachment that has been going on since 2022. The case is preventing the institution from changing its name to Seme. The plaintiff never appeared in the July 2022 court proceedings, and the advice sought came from the office of the AG that if the plaintiff does not show within the next two years, the case collapses.

Committee Recommendation

587. The institution has six months after the adoption of this report to comply with Regulation 143 (1) of the PFM (National Govt) Regulations, 2015 and following the issue from the Office of the Auditor General.

9.1.9 Budgetary Control and Performance

588. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of KES.22, 859,100 and KES.19, 860,045 respectively resulting to under-collection of KES.2, 999,055 or 13% of the budget. Similarly, the College spent a total of KES.11, 717,642 against a budget of KES.22, 859,100 resulting to under expenditure of KES.11, 141,458 or 51% of the budget.

589. The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to citizens.

Management Response

590. It is true that the management could not collect all the projected receipts and as a result had an under spending. The management will strive in future to meet its budget commitments.

Committee Observation

591. This was a common issue during COVID-19 due to containment measures put in place during the pandemic.

Committee Recommendations

592. The Management to ensure the reduction of the variance in the future. Auditor to confirm this in the next audit cycle.

9.1.10 Failure to Maintain Register of Assets

593. The statement of financial position and as disclosed in Note17 to the financial statements, reflects property, plant and equipment balance of KES.91,539,871. However, and as previously reported, no assets register was provided for audit. This is contrary to the Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates 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 law.

594. In the circumstances, Management was in breach of the Regulation.

Management Response

595. The fixed assets register attached for verification.

Committee Observation

596. The committee observes that there is incompetence from the Accounting Officer and the team in terms of explaining the issues.

Committee Recommendations

597. The Committee reprimands the Accounting Officer for negligence and incompetence. Further, the Committee recommends that the institution must at all times ensure compliance with Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015.

9.1.11 Non-Remittance of Statutory Deductions

598. The statement of financial position and as disclosed in Note 18 to the financial statements, reflects trade and other payables from exchange transactions of KES.3,683,469 which includes statutory deductions for PAYE, NSSF and NHIF payables of KES.52,708, KES.33,828 and KES.95,111 respectively, all totalling to KES.181,647 had not been remitted as at 30 June, 2021.

Management Response

599. The management will commit to pay all the statutory deductions.

Liability	Settlement	
NSSF of KES 95,111	Paid KES 19,920 by Chq 160 on 08.07.2021 Paid KES 86,971 by Chq 175 on 06.08.2021	Vouchers attached
PAYE of KES 52,708	Paid KES 76,069 by Chq 178 on 06.08.2021	Vouchers attached

NHIF of KES 33,828	Paid KES 6,350 by Chq 158 on 08.07.2021 KES 26,828 was a provision for part time staff	Vouchers attached

Committee Observation

600. The payments were made, and the necessary supporting documentation was attached and adequately supported.

9.1.12 Lack of Segregation of Duties in Cash and Stores Management

601. As previously reported, review of records revealed that the duties of handling cash, maintaining cashbooks, preparation and checking bank reconciliation statements were being handled by one person. Similarly, one officer performed all the procurement processes in addition to receiving, issuing and recording of all store's transactions.
602. In the circumstances, the effectiveness of the College's internal controls systems on cash and stores management could not be confirmed.

Management Response

603. The management engaged an Accounts clerk in June 2022 to ensure segregation cash handling duties as per attached contract and job description.
604. With effect from June 2023, the management assigned stores management duties to a suitable support staff effect to ensure segregation of duties in Stores and Procurement management as per attached contract and job description.

Committee Observation

605. The institution has recruited an Accounts clerk to ensure segregation of duties.

Committee Recommendations

606. The Committee recommends that proper internal control measures be put in place to ensure compliance. The OAG to monitor compliance and reports on the matter in the next audit cycle.

10.0 KAKRAO TECHNICAL AND VOCATIONAL COLLEGE

607. Mr. Felix Odhiambo, Principal, accompanied by;

Simon Otieno Ochieng- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Kakrao Technical and Vocational College on 15th August 2023.

Audited statements for Financial Year 2018/2019 and 2019/2020

608. The institution was not audited in the subject financial year.

Audited statements for Financial Year 2020/21

10.1.1 Inaccuracies in Property, Plant and Equipment

609. The statement of financial position reflects property, plant and equipment balance of Kshs.382,050 as disclosed in Note 30 to the financial statements. However, the balance excludes values of land measuring approximately 2.2 hectares, computers, furniture, and among other assets. Further, these assets were not included in the assets register.

610. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.382,050 could not be confirmed.

Management Response

611. That the assets of unknown value quoted in the Audit Report, including land, furniture, and ICT equipment, did not have current values as they were donations from the National and County Government. Considering the past and present financial position, the management was not able to engage a professional valuator to determine the values of the said items. However, these items were disclosed in the Financial Report 2020-21 under the 'List of Donations' in fulfilment of Paragraph 27 of IPSAS 1.

612. With regard to this, the college had engaged a valuator who has performed the valuations of college assets and to date, the assets values are Kshs 73,094,000/= (Kenya Shillings Seventy-Three Million and Ninety -Four Thousand Only) as per the Valuation report dated 25th July, 2022.

Committee Observation

613. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

614. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 by providing supporting documentation on time and Regulation 143 (1) of the PFM (National Government) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

10.1.2 Budgetary Control and Performance

615. The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs. 31,017,900 and Kshs. 10,558,463 respectively, resulting in an under-funding of Kshs. 20,459,437 or 66% of the budget. Similarly, the college spent an amount of Kshs. 4,618,859 out of the approved expenditure budget of Kshs. 31,017,900, resulting in an under-expenditure of 26,399,041 or 85% of the budget.

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

Management Response

617. That the material differences between the budget and the actual amounts in the mentioned Financial Year were primarily due to under-funding from the National government and the effect of Covid-19 pandemic which saw the trainees out of the session between 15th March, 2020 to 15th February, 2021 (N.B Our first trainees were admitted on 15th February, 2021 which falls in the 3rd Quarter of FY 2020-2021). Therefore, the revenue and expenditure for the period could not be realized.

618. The original budget stipulated that the institution would receive a total of Kshs. 27,000,000 as grants from the Government (Kshs. 25,000,000.00 development grant and Kshs. 2,000,000.00 recurrent grant). Instead, the institution received only Kshs. 2,000,000 from the government thereby constituting the performance difference during the year under review.

619. In future, the college is committed to making a realistic by budget excluding the operational and development grants projections as shown in the Budget for FY 2023-2024.

Committee Observation

620. The Committee notes the efforts made by the Institution and observes that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

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

622. Further, the Accounting Officer is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

10.1.3 Non- Compliance with Law on Ethnic Composition

623. The college had twenty-seven (27) employees out of which twenty-four (24) or 89% of the total number were members of the dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integrity Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community".

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

Management Response

625. That while the institution obliges to comply with the two-thirds gender rule and ethnic diversity as per section 7 (1) & (2) of the National Cohesion and Integrity Act, 2008, the low levels of remuneration and the institution's inability to offer house allowances for BOG staff reduces the employability of the college, thereby contributing to the low level of diversity in the work force.

626. The institution remains committed to this requirement and shall continually strive to offer equal employment opportunities to individuals irrespective of their backgrounds, gender, age, ethnicity, or religion. The college has now developed a Human Resource Policies and Procedure Manual which will used for all future recruitments. This manual was approved by the Full BOG on 7th April 2023.

Committee Observation

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

Committee Recommendations

628. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments as stipulated under Article 232 (1) (h) and (I)(ii) of the Constitution.

10.1.4 Failure to Deduct and Remit Statutory Deduction

629. Examination of the payroll revealed that the College did not deduct and remit to National Social Security Fund and National Hospital Insurance Fund members' contributions. This was contrary to Section 14 of the National Social Security Fund Act, 2013 and National Hospital Insurance Fund Act, 2008 which require employers to make deductions and remit them promptly.
630. In the circumstance, Management was in breach of the law as stipulated above.

Management Response

631. That the institution could not remit the statutory deductions as the institution lacked TVETA REGISTRATION and KRA PIN Numbers, which are necessary for the remission of Tax, NHIF, and NSSF statutory deductions. The management is currently deducting all the statutory payments and remitting them to the Respective Institutions. The Management is also implementing the recommendations of the Assessment Report from TVETA (Technical and Vocational Education and Training Authority) together with the letter of Program Accreditation to complete the Registration Process.

Committee Observation

632. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

633. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.0 NYAKACH TECHNICAL AND VOCATIONAL COLLEGE

634. Ms Risper Odhiambo, Principal, accompanied by;

iii.) Adeline Ongaki- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Nyakach Technical and Vocational College, on 16th August 2023.

Audited statements for Financial Year 2018/2019

635. The institution was not audited in the subject financial year.

Audited statements for Financial Year 2019/2020

11.1.1 Inaccuracies and Inconsistencies in the Financial Statements

636. The financial statements prepared and presented for audit had the following inaccuracies and inconsistencies;

i) The financial statements have been disclosed as being presentation of 12 months period yet they are for 10 months period.

Management Response

637. We note your observation and would like to inform your office that the Financial Statements were prepared for 10 months and not 12 months as indicated. Going forward we shall practice due diligence.

ii) Note 4(a)(ii) to the financial statements reflects fees from students amount of Kshs.9,365,945 while the statement of financial performance reflects the figure as representing total revenue received by the entity.

Management Response

638. Kshs 9,365,945 was the total revenue for the financial year which is a summation of fees from students which was Kshs 6,242,445 as per note 8, GOK Grant of Kshs 3,114,500 and other income of Kshs 9,000.

iii) **Note 4(b)** indicates that the budget was revised whereas the statement of comparison of budget and actual amounts does not reflect any adjustments to the budget.

Management Response

639. We would like to notify your office that this was erroneous typing and going forward we will be more careful.

iv) **Note 4(h)** on comparative figures reflects those comparative figures for the previous financial year yet this is the first-year operation.

Management Response

640. The year 2019/2020 was our first year of operations and therefore we did not have any comparative figures. The comparative figures in the financial statement were erroneously indicated. Going forward we shall be more careful when preparing our financial statements.

v) The statement of financial performance and as disclosed in Note 6 to the financial statements reflects capital grants amount of Kshs.1,245,000 while the transfers notification letter from the mentor institution reflects an amount Kshs.1,254,000 resulting in an unexplained variance of Kshs.9,000.

Management Response

641. We agree that the notification letter from the mentor institution was Kshs 1,254,000 but the actual amount that was sent was Kshs 1,245,000 and this can be seen from the bank statement.

vi) The statement of comparison of budget and actual amounts reflects actual receipts amount of Kshs.10,693,625 whereas the statement of financial performance reflects an amount of Kshs.9,365,945 resulting in an unexplained variance of Kshs.1,327,680.

Management Response

642. The variance was as a result of development grants of Kshs 1,336,680 and other income of Kshs 9,000.

vii) In addition, the statement of comparison of budget and actual amounts reflects that actual expenditure totals Kshs.2,311,876 while the statement of financial performance reflects an amount of Kshs.7,628,181 resulting to an unexplained variance of Kshs.5,316,305

Management Response

643. The variance was as a result of depreciation cost of Kshs 5,313,511 and finance cost of Kshs 2,794.

viii) Further, the statement of comparison of budget and actual amounts reflects both receipts and expenditure budget of Kshs.56,878,240. However, the recast amounts were Kshs.50,588,240 and 52,314,100 respectively.

Management Response

644. We note your observation and would like to inform you that this was an arithmetic error from our side going forward we shall be more careful.

ix) Note 7 on public contributions and donations of Kshs.93, 184,632 could not be linked to the ledger balances and therefore should have been disclosed under other important disclosures

Management Response

645. We note your observation but we would like to inform your office that we did not have public contributions and donations during this period and going forward we will be more keen so that such errors do not occur in future.

x) **Note 18** on development revenue Kshs.1,336,680 is reflected as Kshs.336,680 in the statement of cash flows resulting in an unreconciled balance of Kshs.1,000,000.

Management Response

646. The development revenue was Kshs 1,336,680 which is a total of development fees of Kshs 336,680 and Nyakach CDF funds of Kshs1,000,000.

xi) The trial balance provided for audit to support the financial statements reflects debits totalling to Kshs.109,957,159 and the credits totalling to Kshs.114,305,177 resulting in an unexplained variance of Kshs.4,348,018.

Management Response

647. We have noted the error and we will be more keen with the balances going forward. In addition, institution is in the process of procuring an ERP to minimize such errors.

xii) The trial balance also reflects capital reserves balance of Kshs.93,184,632 while the ledger had a balance of Kshs.96,259,076 resulting in an unexplained variance of Kshs.3,074,444.

Management Response

648. We have noted the error and we will be keen with the balances going forward. In addition, institution is in the process of procuring an ERP to minimize such errors.

xiii) The trial balance further reflects a debit balance of Kshs.1,245,000 as capitation grant expenditure however, this was not disclosed in the financial statements.

Management Response

649. We have noted the error and we will be keen with the balances going forward. In addition, institution is in the process of procuring an ERP to minimize such errors.

Committee Observation

650. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

651. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.2 Unsupported Cash and Cash Equivalents Balance

652. The statement of financial position reflects cash and cash equivalents balance of Kshs.4,840,780 as disclosed in Note 19 to the financial statements. However, the balances were not supported by bank reconciliation statements, certificate of bank balance and board of survey report. Further, the register of all bank accounts held by the entity was not provided for audit.

653. In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.4,840,780 could not be confirmed.

Management Response

654. We have noted your observation and would like to notify your office that we have prepared the bank reconciliation statements and attached the certificate of bank balance as at 30th June 2020.

Committee Observation

655. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

656. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.3 Unsupported Inventories Balance

657. The statement of financial position reflects inventories balance of Kshs.1,271,400 as disclosed in Note 22 to the financial statements. However, the balance was not supported by stock take report or any other details.

658. In the circumstances, the accuracy and completeness of inventories balance of Kshs. 1,

274,400 could not be confirmed.

Management Response

659. The inventory balance as disclosed in Note 22 is accurate and this can be found from our stock take report

Committee Observation

660. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

661. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.4 Unsupported Property, Plant and Equipment Balance

662. The statement of financial position reflects property, plant equipment balance of Kshs.87,871,121 and as disclosed in Note 23 to the financial statements. However, no fixed assets register and ownership documents were provided for audit.

663. In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs.87,871,121 could not be confirmed.

Management Response

664. We would like to inform your office that as at the time of the audit no fixed asset register was maintained. However, we now have a fixed asset register. The amount in the fixed asset register is Kshs 81,980,729 as 2021/2022 financial year.

Committee Observation

665. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

666. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3 of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.
667. The Committee further advised the Accounting Officer to be updating the fixed asset register and to strictly follow the law (IPSAS and PFM Act) in doing so.

11.1.5 Unsupported Refundable Deposits from Customers

668. The statement of financial position reflects refundable deposits from customers' balance of Kshs.468,363 which includes Kshs.26,400, Kshs.369,190 and Kshs.72,773 on Higher Education Loans Board, examination and student council respectively. However, no supporting documents were provided for audit.

669. In the circumstances, the accuracy and completeness of the refundable deposits from customers' balance of Kshs.468,363 could not be confirmed.

Management Response

670. The refundable deposits were Kshs 26,400 for HELB loan.

Committee Observation

671. The Committee observed that this was an error from the management side which they have since corrected. The issue is therefore resolved as the Auditor General is satisfied with the management's response.

Committee Recommendations

672. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3 of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.6 Unsupported Expenditure

673. The statement of financial performance reflects total expenses amount of Kshs.7,628,181 which includes expenditure totalling Kshs.1,028,168 which was not supported as follows:
674. Included in the payment details of the employment cost is payment to the Board of

Governors staff amounting Kshs.64,500. The supporting payment documents were not provided for audit.

Management Response

675. The payment documents for a payment to the Board of Governors staff amounting to Kshs 64,500 has been provided.

676. Review of the details provided for audit under activity showed that the entity paid Kshs.72,100 to a participant to attend athletics activities at Kisii Polytechnic. However, no requests or invitation letters were attached for audit.

Management Response

677. The invitations and requisitions are now available and attached.

678. A payment of Kshs.162,082 was made to the principal as a pending bill. This payment was only supported with minutes of the Board of Governors and the payment voucher. However, the payment details including the purpose for this payment were not indicated.

Management Response

679. The payment details made to the principal as a pending bill and the purpose has been summarized and presented.

680. Management spent Kshs.729,286 as administration cost under use of goods and services, all the funds were paid out as cash transactions with no proper accountability of the same in terms of records and approvals by the Management or the Board.

Management Response

681. Kindly find the attached payment vouchers

Committee Observation

682. The Committee observed that this was an error from the management side which they have since corrected. The issue is therefore resolved as the Auditor General is satisfied with the management's response.

Committee Recommendations

683. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.7 Budgetary Control and Performance

684. The statement of comparison of budget and actual amounts reflects a final receipts budget and actual amount on comparable basis of Kshs.56,878,240 and Kshs.9,365,945 respectively resulting to an under-collection of Kshs.47,512,295 or 86% of the budget. Similarly, the College spent Kshs.7,628,181 against an approved budget of Kshs.56,878,240 resulting to an under-expenditure of Kshs.49,250,059 or 69% of the budget.

685. The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the students.

Management Response

686. We were not funded by the ministry as budgeted. We had anticipated to receive Kshs 12,500,000.00 as government capitation but received Kshs 3,114,500.00. We were also expecting government development grant which also we did not receive.

Committee Observation

687. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

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

689. Further, the Accounting Officer is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

11.1.8 Non- Compliance with Law on Ethnic Composition

690. Review of records revealed that, the total number of employees of the College was thirty-

five (35) out of which thirty-one (31) or 89 % of the total number were from the dominant community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

Management Response

692. We note your observation but we would like to inform the auditors that during this period the institution was still at its inception stage and the college employees were referred to us by our mentor institution however we promise that any future employment to the institution will be made in adherence to section 7(1) of the National Cohesion and Integration Act, 2008

Committee Observation

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

Committee Recommendations

694. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.

11.1.9 Irregular Procurement Under Administrative Expenses

695. Management spent a total of Kshs.1,459,076 as Use of Goods out of which an amount of Kshs.729,286.00 was administrative expenses. The payment documents in support of the administrative expenses were not supported with any procurement plan, budget allocation, procurement requisitions, authorization of payments including stamps and signatories of the same contrary to Section 44(2)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that an Accounting Officer shall ensure that procurements of goods,

works and services of the public entity are within approved budget of that entity.

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

Management Response

697. Please note during this financial year we did not have a procurement plan, budget allocations, procurement requisitions because procurement was done from the mentor institutions. We would like to inform the auditors that any future procurement will be made in adherence to Section 44(2) (a) of the Public Procurement and Assets Disposal Act, 2015.

Committee Observation

698. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

699. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.10 Lack of Approved Staff Establishment

700. Review of the payroll revealed that the College incurred a wage bill amounting to Kshs.683,800. However, Management did not provide for audit an approved staff establishment and hence it was not possible to determine how the entity was able to determine the optimal number of human resource requirements and deficits if any.

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

Management Response

702. We would like to inform the auditors that during this financial year we did not have an approved staff establishment because the institution as at its inception stage. Currently the institution has an approved staff establishment

Committee Observation

703. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

704. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.11 Non-Compliance with Statutory Deductions

705. Review of accountable records revealed that Management did not deduct NHIF and NSSF which are statutory deductions. This was contrary to Section 20(1) of the National Social Security Fund Act, 2013 and Section 15(1)(c) of the National Hospital Insurance Fund Act, 2012.

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

Management Response

707. We agree to your observation and would like to assure you that future deductions and remittance to the statutory bodies will be in compliant to the law as stated above.

Committee Observation

708. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

709. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time

11.1.12 Lack of Internal Audit Function

710. The College had not established an internal audit function, contrary to Section 73(1) of the Public Finance Management Act, 2015 which states that every National Government entity

shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

711. In the circumstances, the College did not benefit from the assurance and advisory services from the internal audit function.

Management Response

712. We agree to your observation and would like to inform you that the institution currently has established an internal audit function as per Section 73(1) of the Public Finance Management Act, 2015.

Committee Observation

713. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

714. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.13 Lack of Board Work Plans

715. During the year, the Council held meetings categorized as full board, special full board and committee meetings. However, the Board did not have an annual board work plan to guide their activities and did not carry out an annual evaluation of its performance at the end of the period. Further, the Board operated without a formal and transparent remuneration policy for board members.

716. In the circumstances, the effectiveness of the Board's performance could not be confirmed.

Management Response

717. We would like to notify your office that did not have an annual work plan for the year, but subsequently we have. We have attached minutes of the board meeting and the current work plan

Committee Observation

718. The Committee observed that this action was in total breach of Article 201 of the Constitution in regards to Public Finance and pure mismanagement/embezzlement of funds

Committee Recommendations

719. The Committee recommends that the Accounting Officer/ Finance Officer be reprimanded for the monies unlawfully used.

Audited statements for Financial Year 2020/21

11.1.14Inaccuracies in the Financial Statements

720. Review of the financial statements submitted for audit revealed the following inaccuracies and inconsistencies;

i. **Inconsistencies in the notes to the financial statements: -**

Component Description	Reference Note	Actual Note
Transfers from Other Levels of Government	Note 1	Note 6(a)
Rendering of Services – Fees from Students	Note 3	Note 7
Sale of Goods	Note 11	Note 7
Other Income	Note 4	Note 9
Use of Goods and Services	Note 15	Note 10
Employee Costs	Note 16	Note 11
Repairs and Maintenance	Note 19	Note 12
Finance Costs	Note 22	Note 13
Cash and Cash Equivalent	Note 26	Note 14 and 26(a)
Current Portion of Receivables from	Note 27(a)	Note 15 and 27 (a)

Exchange Transactions		
Receivables from Non-Exchange Transactions	Note 28	Note 16
Property, Plant and Equipment	Note 31	Note 17
Trade and Other Payables from Exchange Transactions	Note 34	Note 18
Refundable Deposits from Customers	Note 35	Note 19

Management Response

721. We note your observation that there was inconsistency in the notes. Going forward we shall be careful so that the inconsistency will not reoccur.

ii. The statement of financial position reflects a balance of Kshs.3,185,000 in respect of receivables from non-exchange transactions while Note 16 to the financial statements reflects a balance of Kshs.2,685,000 resulting to an unreconciled and unexplained variance of Kshs.500,000.

Management Response

722. We accept we made an error while doing the posting. Going forward we shall be more careful when doing our posting.

723. In addition, the statement of financial position reflects Kshs.1,761,819 in respect of current portion of receivables from exchange transactions balance while Note 27(a) to the financial statements reflects a balance of Kshs.4,594,319 resulting to an unreconciled and unexplained variance of Kshs.2,832,500.

Management Response

724. Current receivables from exchange transactions included Kshs 3,185,000 which had been reported under non exchange transactions therefore it was wrongly posted. Going forward we shall be more careful to avoid such errors of posting.

725. Further, the statement of financial position reflects Nil balance in respect of property, plant and equipment while Note 17 to the financial statements reflects a balance of Kshs.61,716,670.

Management Response

726. This was an erroneous omission and going forward we will be more careful while doing our posting.

iii. The statement of financial performance as disclosed in Note 1 to the financial statements reflects transfers from other levels of Government amount of Kshs.11,105,000. However, this amount includes Kshs.622,500 in respect of transfers that relate to 2019/2020 financial year. The revenue item is therefore overstated.

Management Response

727. We would like to inform the auditor that we recognized it as receivable in previous year and since we are using accrual basis that's why we have included it in 2020/2021 financial year.

728. Further, the of statement of financial performance reflects fees from students amount of Kshs.10,535,423. However, the total recomputed amount received and receivable from students was Kshs.17,818,147 resulting to an unexplained and unreconciled variance of Kshs.7,282,724.

Management Response

729. The actual amount of fees from students is Kshs 10,535,414 from the financial statements.

730. The statement of financial performance as disclosed in Note 10, 17 and 11 to the financial statements reflects use of goods and services, property plant and equipment and employee costs of Kshs.11,673,129, Kshs.61,716,670 and Kshs.2,310,500 respectively. However, review of the supporting documents revealed that the amounts varied with the amounts reflected in the schedules provided for audit as indicated below;

Item	Amount as per Financial Statements (Kshs.)	Amount as per Schedule (Kshs.)	Variance (Kshs.)
Other Income	37,000	35,000	2,000
Use of Goods and Service			
Travelling and Accommodation Expenses	464,670	476,670	12,000
Training Expenses	180,000	-	180,000
Administration Cost	1,216,713	2,051,490	(834,777)
Registration	295,500	292,500	3,000
Security	624,000	520,000	104,000
Activity	235,700	265,100	(29,400)
Repairs and Maintenance	1,909,635	927,135	982,635
Electricity, Water, Examination Fees, Tender Costs, Student Union, Postage, Telephone Expenses, Internet Expenses	2,652,954	2,486,530	166,424
Employee Cost			
Compensation of Employees	2,310,500	1,805,250	505,250
Current Portion of Receivables from	1,761,819	7,807,732	6,045,913

Exchange Transactions			
Property, Plant and Equipment			
Land and Buildings	60,000,000	65,949,107	5,949,107
Furniture	1,716,670	3,426,000	1,709,330

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

Management Response

732. I wish to confirm the accurate figure is the figures as per the schedules and we are not in a position to reconcile the figures.

Committee Observation

733. The Committee observed that the institution had so many unnecessary errors in the financial statements that, although they were corrected, they bring a negative implication and a loophole for embezzlement of funds.

Committee Recommendations

734. The Committee recommends that the Ministry of Education invests in training and capacity building to most staff of the institutions or rather employ staff who are competent enough to handle crucial and substantial offices like accounts.

11.1.15 Unsupported Board Allowances

735. The statement of financial performance as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.11,673,129, which includes an amount of Kshs.1,211,458 in respect to Board members allowances. However, review of payment documents and attendance records revealed that Management paid Kshs.297,500 to board members for meetings not attended.

736. In the circumstances, the accuracy and completeness of the Board members allowances amount of Kshs.1,211,458 could not be confirmed.

Management Response

737. Samples of payment vouchers were provided.

Committee Observation

738. The Committee observed that the payment of board allowances was in total breach of the law and pure mismanagement/embezzlement of funds.

Committee Recommendations

739. The Committee recommends that the Accounting Officer/ Finance Officer be surcharged for the monies unlawfully used amounting to Kshs. 297,500

740. This is an infringement to the provisions of paragraph 17 of Second Schedule of TVET ACT that caters for the remuneration of the Board members in institutions. Further, Section 68 (2) (b) of the PFM Act provides for the responsibility of the Accounting Officers in Public Institutions.

11.1.16 Budgetary Control and Performance

741. The matter has been discussed and the Committee reiterates its recommendations.

11.1.17 Non-compliance with Statutory Deductions

742. The matter has been discussed and the Committee reiterates its recommendations.

11.1.18 Non-Compliance with Law on Ethnic Composition

743. The matter has been discussed and the Committee reiterates its recommendations.

11.1.19 Irregular Appointment of Board Members

744. Review of Board of Governors records operations revealed that no induction programme for new members while no competency needs assessment was carried out for Board members during the year under review. This was contrary to the Mwongozo Code of Governance for State Corporations on Board Induction and continuous skills development.

745. Further, review of compliance with prescription on Board and Chief executive officers' terms of service and entitlements revealed that appointment of Board was not done by

notice in the Kenya Gazette. This was contrary to Chapter 1.1.11 of Mwongozo which states that each board member shall be formally appointed to the Board through a gazette notice and thereafter appointment letter.

746. In the circumstances, Management was in breach of the law further under Paragraph 1 of the Second Schedule of the TVET Act that caters for the appointment of Board Members.

Management Response

747. The appointment letters were attached

Committee Observation

748. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

749. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

11.1.20 Lack of Internal Audit and Inactive Audit Committee

750. The matter has been discussed and the Committee reiterates its recommendations

12.0 SIAYA INSTITUTE OF TECHNOLOGY

751. Mr Daniel Randa, Principal, accompanied by;

i. Joseph Ochieng- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Siaya Institute of Science and Technology, on 16th August 2023.

Audited statements for Financial Year 2018/2019

12.1.1 Inaccuracies in the Financial Statements

i) Capital Reserves

752. Included in the statement of changes in net assets is total net assets of Kshs.352,739,878 which includes capital reserves of Kshs.299,805,813 while the statement of financial position reflects capital reserves of Kshs.4,039,106 resulting to unreconciled difference of Kshs.295,766,707.

Management Response

753. The Statement of Financial Position has been amended to correct the anomaly by recasting done that resulted into net assets of KShs.377,341,285.00 and as a result capital reserve fund of Kshs.345,432,962.00 and therefore capital reserve reconciled accordingly.

Committee Observation

754. The Committee observed that no adjustments had been made to rectify the errors recorded as advised by the Auditor General.

755. The Committee observes laxity from the Accounting Officer for not taking action to rectify issues commissioned to him.

Committee Recommendations

756. The Committee recommends that the Accounting Officer makes prior year adjustments to take effect of the errors that had risen in the audit query. This is to be actioned in three months period from the adoption of this report by the House.

ii) Property, Plant and Equipment

757. Included in the statement of financial position under Note 25 to the financial statements is property, plant and equipment net book value of Kshs.251,177,961 as at 30 June, 2019. However, the following anomalies were observed;

   i) The opening balance of property, plant and equipment of Kshs.278,319,065 as at 1 July, 2018 was not supported by an asset valuation report.

   ii) The Institution did not keep a comprehensive fixed asset register and the depreciation policy in place was not disclosed in the financial statements.

758. Consequently, the accuracy and validity of property, plant and equipment balance of Kshs.251,177,961 as at 30 June, 2019 could not be confirmed.

Management Response

759. The valuation report has been availed to explain the opening balance of ksh.278,319,065.00 as at 1/07/2018

760. The institute has updated fixed asset register and equally provided finance policy where the depreciation percentages for various classes of assets are defined to confirm the accuracy and validity of PPE balances of kshs.251,177,961.00

Committee Observation

761. The Committee observed that the documentation presented before the Committee could not be admissible as it was neither dated nor approved. Furthermore, the asset register was incomplete with vital information to authenticate it were missing.

762. The Committee also notes that documentations were not submitted on time and insists that the Finance Officer is not fit to hold office.

Committee Recommendations

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

764. The Committee further recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(k) of the PFM Act 2012 and Section 21 of the Public Audit Act, by providing supportive documentation on time

iii) Government Grants

765. Included in the financial statements under Note 5 to the financial statements is Government grants and subsidies balance of Kshs.31,040,523 which includes conditional grants of Kshs.25,083,973 that differ with the ledger balance of Kshs.18,153,973 resulting in unexplained and unreconciled balance of Kshs.6,930,000. Further, although Note 5 to the financial statements reflects

conditional grants of Kshs.25,083,973, the statement of changes in net assets and Note 23 to the financial statements reflects Kshs.21,025,742.

766. It is not clear how the difference of Kshs.4,058,231 has been accounted for in these financial statements.

Management Response

767. The error had been corrected by removing over stated grants which had included 2017/2018 FY disbursement of Kshs.6,930,000.00 and hence the difference of kshs.6,930,000.00 resolved. Further, KSH.4,058,231.00 which was part of unconditional grants had been charged and accounted for under rendering of services i.e. fees from students consequently resolving the difference in reported figures.

Committee Observation

768. The Committee observed errors subjected by the Finance Officer that although rectified creates a loophole for embezzlement of funds.

769. The Committee further insists that the errors occasioned by the Finance Officer cannot be taken lightly and finds him unfit to hold office.

Committee Recommendations

770. The Committee recommends that the Accounting Officer be more diligent in supervisory work of the institution as he is the overall person in charge.

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

iv) Net Assets

772. The statement of financial position reflects net assets of Kshs.376,763,685 but a recasting of the statement reflects Kshs.377,341,285 resulting in an unexplained difference of Kshs.577,600. Further, total liabilities and capital add up to Kshs.71,317,258 while total assets add up to Kshs.412,711,114 resulting in an imbalance of Kshs.341,393,856.

773. Consequently, the accuracy and validity of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

774. The casting error of 376,763,685.00 had been corrected to kshs.377,341,285.00 therefore correcting the difference of Kshs. 577,500.00. Consequently liabilities, capital and earnings add up to kshs.412,711,114.00 thereby correcting the imbalance of kshs.341,393,856.00

Committee Observation

775. The Committee observed that although the errors were noted and explained to the Accounting Officer, nothing was done to action rectifications.

Committee Recommendations

776. The Committee reprimands the Accounting Officer and the Finance Officer for negligence and ignorance in taking action when advised.

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

12.1.2 Budgetary Control and Performance

778. During the financial year 2018/2019, the Institute had an approved revenue budget of Kshs.243,149,074 against actual receipts of Kshs.160,212,218 resulting in total under- funding of Kshs.82,936,856 equivalent to 34% of the budget.

779. The significant under-funding negatively impacted on the attainment of the Institute's objectives and also service delivery to the public.

Management Response

780. This budget deficit of kshs.82,936,856.00 was a right observation since capitation funds (Tuition fees) were not fully disbursed while development grants for the proposed library and tuition complex did not come at all which negatively impacted on the attainment of objectives and service delivery for the period under review.

Committee Observation

781. The Committee observed that capitation is an issue that is cross- cutting amongst all learning institutions, which negatively impacts service delivery.

Committee Recommendations

782. The Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding alone.

Audited statements for Financial Year 2019/2020

12.1.3 Inaccuracies of the Financial Statements

i) Comparative Balances

783. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation as the status of the issue remained similar.

ii) Cash Flow Statement

784. The statement of cash flow for the year ended 30 June, 2020 reported cash and cash equivalent balance of Kshs.24,669,682. However, recasting of the cash flow statement revealed a closing cash and cash equivalent balance of Kshs.101,666,339 resulting in an unexplained variance of Kshs.76,996,657. In addition, the statement reflects a net decrease in cash in hand amount of Kshs.76,996,657 and not the correct casted amount of Kshs.47,582,237 resulting in an unexplained variance of Kshs.124,578,894. Further, the resultant casted cash and cash equivalent balance of Kshs.101,666,339 varies with the balance reflected in the statement of financial position of Kshs.24,669,682.

785. The statement of cash flow for the year ended 30 June, 2020 also reflects development income of Kshs.68,822,592 disclosed at Note 22 and development expenses of Kshs.47,511,379 disclosed at Note 23(i). However, the development income and expenditure were not supported by documentary evidence and which the Management has not explained.

786. Consequently, the accuracy and completeness of the statement of cashflow for the year ended 30 June, 2020 and the cash and cash equivalent balance of Kshs.24,669,682 reflected in the statement of financial position could not be confirmed.

Management Response

787. Cash flow statement had been redone to correct the errors in 2020/2021 FY revealed during the audit and therefore the reported figures are correct

788. Ledgers had been presented as documentary evidence to support the development income and expenses respectively.

789. Cash and cash equivalents figure of kshs.24,669,682.00 have therefore been supported by and the statement of cash flow as at June 2021 on page 4 of the audited accounts.

Committee Observation

790. The Committee notes erroneous errors occasioned by the Finance Officer.

Committee Recommendations

791. The Committee severely reprimands both the Accounting Officer and the Finance Officer

12.1.4 Revenue from Exchange Transaction

792. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.5 Unsupported Revaluation of Assets

793. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.6 Unsupported Provision for Bad Debts

794. The statement of financial position as at 30 June, 2020 and as disclosed in Note 18 reflects receivables from exchange transactions balance of Kshs.22,014,556. This balance is net of Kshs.15,847,500 in respect to provision of bad and doubtful debts. However, Management has not provided for audit review a debt management policy to support the provision or a Board of Governors approval.

795. Consequently, the accuracy of the receivables from exchange transactions balance of Kshs.22,014,556 as at 30 June, 2020 could not be confirmed.

Management Response

796. Treatment of capitation funds not disbursed at the end of the Financial Year was a challenge because there was no proper correspondence from the Ministry of Education. During end of the Financial Year closing session with the National Treasury, we were correctly informed

that Ministry of Education operates on cash basis of accounting and therefore any undisbursed funds shall never be treated as funds owed by the Government of Kenya.

797. It is in this respect that we excluded the anticipated funds that failed to hit the institution Bank account by 30th June 2020 ie. Quarter Four of 2019/2020 Financial Year was never disbursed.

Committee Observation

798. The Committee acknowledges the response on the issue of accounting policies in the institution being different from that in the Ministry.

Committee Recommendations

799. The Committee recommends that since the amount in question was already registered in their books of accounts, the Management should request for the receivables to be written off through board approval. This is to be actioned in the subsequent financial year.

12.1.7 Unsupported Receivables from Non-Exchange Transactions

800. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation

12.1.8 Unconfirmed Depreciation Charge

801. Included in the statement of financial position as at 30 June, 2020 and as disclosed under Note 23 is property, plant and equipment netbook value of Kshs.332,231,163. However, the Board of Governors had not approved the fixed assets depreciation policy. Therefore, the validity of the cumulative depreciation of Kshs.12,803,079 and the respective depreciation rates per annum could not be confirmed.

802. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.332,231,163 could not be confirmed as at 30 June, 2020.

Management Response

803. SIT depreciation policy is hived in financial policy on page 14 having been approved appropriately thereby authenticating the validity of cumulative depreciation of Kshs. 12,803,079.

Committee Observation

804. The Committee observed that there is a finance policy in place which clearly indicates the depreciation rates applicable.

Committee Recommendations

805. The Committee recommends that the institution henceforth complies with the finance policy put in place.

12.1.9 Unsupported Retention Fees

806. The statement of financial position and Note 24 to the financial statements, reflects a balance of Kshs.31,360,613 as at 30 June, 2020 in respect of current liabilities. This balance includes retention fees of Kshs.2,813,761 which were not supported with documentary evidence including the interim payment certificates on projects funded.

807. In the circumstances, the accuracy and completeness of retention fees of Kshs.2,813,761 could not be confirmed as at 30 June, 2020.

Management Response

808. Note 24 reflects a balance of Kshs.31,360,613.00 in respect of current liabilities with retention fees of Kshs.2,813,761.00.

Committee Observation

809. The Committee notes the Management's response however, interim certificates were not submitted to the Auditor General for review

Committee Recommendations

810. The Committee surcharges the Accounting Officer for failure to provide supporting documents upon request which violates Section 68 (2) (b) of the Public Finance Management Act, 2012.

12.1.10 Misclassification of General Administration Cost

811. Disclosed in Note 14 to the financial statements and reflected in the statement of

financial performance for the year ended 30 June, 2020 is general administration cost of Kshs.14,175,334. However, the schedule in support of the administration cost included expenditure on board allowances, extraneous duty allowance and staff salary totaling to Kshs.300,000.

812. In the circumstances, the accuracy of the general administration cost of Kshs.14,175,334 for the year ended 30 June, 2020 could not be confirmed.

Management Response

813. The allowances on BOG accommodation other than taxable allowances and transport were provided for in the approved budget under administrative cost as well as staff honoraria ie extraneous duty allowance and not staff salaries. This was the reason for the inclusion and therefore justifying the accuracy of the general administration cost of kshs.14,175,334.00 as reported.

Committee Observation

814. The Committee observed that the error was actioned by the Finance Officer that has since been rectified.

Committee Recommendations

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

12.1.11 Budgetary Control and Performance

816. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation

12.1.12 Improper Disclosure of Assets

817. The statement of financial position as at 30 June, 2020 and as disclosed in Note 21 reflects mattresses and animals' balances of Kshs.450,000 and Kshs.97,600 respectively However, the mattresses and the animals should have been classified under inventories and biological assets respectively.

818. This is contrary to requirements of IPSAS 1 on presentation of financial statements and in the circumstances the financial statements do not comply with the prescribe reporting framework.

Management Response

819. This was an error since we were still at the initial stages of interacting with IPSAS accrual.

820. We noted the fact that separate notes should be provided for very specific classification and corrected the error.

Committee Observation

821. The Committee observed the error was actioned by the Finance Officer which has since been rectified.

Committee Recommendations

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

12.1.13 Failure to Deduct Income Tax

823. Disclosed in Note 11 to the financial statements and reflected in the statement of financial performance for the year ended 30 June, 2020 is Board of Governors expenses of Kshs.2,224,240. However, out of the board allowances paid, Kshs.1,396,500 was on sitting allowances from which taxes were not deducted contrary to Section 5(2)(a) of the Income Tax Act Cap 470 which requires sitting allowances to be taxed at 30% of the gross figure and be remitted to the Commissioner of Domestic Taxes.

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

Management Response

825. BOG sitting allowances were not paid in tandem with approved rates and therefore were not subjected to 30% tax rate in 2019/2020FY.ie BOG members paid a flat of kshs.13,000.00 to take care of transport and sitting allowances irrespective of where they came from.

826. This changed in 2020/2021FY when the allowances were reviewed and subjected to 30%

tax rates and remitted to the Commissioner of Domestic Taxes.

Committee observation

827. The Committee observed that allowances were paid and tax deducted, however, they were not remitted to the Commissioner of Domestic Taxes.

Committee Recommendations

828. The Committee recommends that the Accounting Officer recovers the amount payable and remits to the necessary body as stipulated under Section 5(2)(a) of the Income Tax Act Cap 470.

13.0 UGUNJA TECHNICAL AND VOCATIONAL COLLEGE

829. Ms. Audrey Odhiambo, Principal, accompanied by;

iv.) Evans Oyugi- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Ugunja Technical and Vocational College, on 16th August 2023.

Audited statements for Financial Year 2018/2019

830. The institution was not audited in the subject financial year.

Audited statements for Financial Year 2019/2020

13.1.1 Unsupported Revenue from Exchange Transaction

831. The statement of financial performance reflects revenue from exchange transactions amount of Kshs. 4,165,648, which differs with the amount disclosed in Note 2 to the financial statements of Kshs. 4,234,168 resulting in a variance of Kshs. 68,500. Further, the College did not provide supporting schedules and fees register for audit review.

832. In the circumstances, the accuracy and completeness of revenue from exchange transactions of Kshs. 4,234,148 could not be confirmed.

Management Response

833. The revenue from exchange transactions amount of Ksh 4,165,648 and disclosed amount of ksh 4,234,168 had a variance of Ksh 68,500.00 due to lack of updated fee register. The management has updated the attached fee register for all the students and going forward accuracy and completeness from the exchange transactions can be confirmed

Committee Observation

834. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

835. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.2 Un-Reconciled Employees Costs

836. The statement of financial performance and as disclosed in Note 5 to the financial statements reflects employees' cost balance of Kshs. 592,000. 00 However the supporting schedule provided to support the expenditure reflected an amount of Kshs. 494,349 leading to un-reconciled variance of Kshs. 97,652.

837. In the circumstances, the accuracy of the employees' costs expenditure of Kshs. 592,000.00 could not be confirmed.

Management Response

838. The employee cost was reconciled as indicated in the attached table below

MONTH	SALARY (KSHS)	NSSF (KSHS)	NHIF (KSHS)	KRA (KSHS)	ADVANCES (KSHS)	TOTAL (KSHS)
JANUARY	149,227.00	1,400.00	3,600.00	1,773.00	0	156,000.00

FEBRUARY	**115,621.00**	**1,400.00**	**3,400.00**	**1,379.00**	**5,200**	**127,000.00**
MARCH	**113,684.00**	**14,740.00**	**4,000.00**	**1,576.00**	**8000.00**	**142,000.00**
APRIL	**41,983.00**	**2,820.00**	**2,000.00**	**197.00**	**0**	**47,000.00**
MAY	**42,180.00**	**2,820.00**	**2,000.00**	**0**	**0**	**47,000.00**
JUNE	**42,180.00**	**2,820.00**	**2,000.00**	**0**	**0**	**47,000.00**
TOTAL	**504,875**	**26,000**	**17,000**	**4,925**	**13,200**	**566,000.00**

839. Some of the salary advances paid during the month of February and March of the year 2020 had not been captured in the payroll

Committee Observation

840. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

841. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.3 Property, Plant and Equipment.

842. The statement of financial position as disclosed under Note 13 to the financial statements reflects property, plant and equipment balance of Kshs. 66,109,703, which is net of depreciation charge for the year of Kshs. 1,890,340. However, no valuation report was

provided for audit review to determine the value of assets received from the Ministry of Education.

843. In the circumstances, the accuracy and completeness of the property, plant and equipment totaling Kshs. 66,109,703 could not be ascertained.

Management Response

844. The management has initiated the process of contracting a government valuer to establish value the college assets including those that were supplied by the Ministry of Education so as to ensure that going forward the accuracy and completeness of the property, plant and equipment can be ascertained.

Committee Observation

845. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

846. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.4 Un-Reconciled Receivables from Exchange Transactions

847. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 593,400. However, Note 12 to the Financial Statements in support of the fees balance reflects a balance of Kshs. 661,900 resulting to an un-reconciled variance of Kshs. 68,500. Further, the current portion of receivables from exchange and receivables from non-exchange transactions have been reported as combined contrary to format prescribed by the Public Sector Accounting Standard Board.

848. In the circumstances, the accuracy and completeness of receivables from exchange transactions could not be confirmed.

Management Response

849. The unreconciled variance of Kshs. 68,500 was due to lack of the updated fee register, however, the management has updated the fee register and come up with the cash book for analysis for the proper reporting purpose.

850. Further, the portion of receivables from exchange and receivables from non-exchange transactions have now been reported separately as per the new format prescribed by the Public Sector Accounting Standard Board.

Committee Observation

851. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

852. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.5 Budgetary Control and Performance

853. The statement of comparison of budget and actual amounts for the year ended 30th June, 2020 reflects a final receipts budget and actual on comparable basis of Kshs. 30,618,100 and Kshs. 5,169,148 respectively resulting to an under funding of Kshs. 24,448,952 or 83%. Further, the statement reflects an expenditure budget and actual on comparable basis of Kshs. 30,618,100 and Kshs. 8,080,294 resulting to under expenditure of Kshs. 22,537,806.00 representing 74% of the approved budget.

854. The underfunding and underperformance affected the planned activities of the college and may have impacted negativity on service delivery to students.

Management Response

855. This underperformance was due to the fact that during the FY 2019/2020 the college did not receive the recurrent grant worth kshs 1,000,000.00 as planned and also did not receive capitation grant worth 2,385,000.00 there by giving us a deficit of Kshs 3,385,000.00

QUARTER 3 & 4 FINANCIAL YEAR 2019/20

Capitation grant

S/No	Approved Number of Students	Rate per Quarter (Ksh)	Description amount Due	Amount Given (Ksh)	Balance (Ksh)
Qtr. 3	159	7,500	1,192,500	0.00	1,192,500
Qtr. 4	159	7,500	1,192,500	0.00	1,192,500
TOTAL					2,385,000.00

table 5a

Recurrent grant

S/No	Approved Amount	Rate per Quarter (Ksh)	Description amount Due	Amount Received (Ksh)	Balance (Ksh)
Qtr. 4	27/04/2020	500,000.00	500,000.00	500,000.00	-
Qtr 1-4	2,000,000.00	500,000.00	2,000,000.00	500,000.00	1,5000,000.00
TOTAL					1,500.00

table 5b

856. The management has made effort to request for the deficit from the Government Kenya grants

Committee Observation

857. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively

Committee Recommendations

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

859. Further, the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

860. The Committee also requests the Ministry of Education to intervene in the financial status of learning institutions by supplementing their income revenue.

13.1.6 Board of Governors Appointment

861. Review of the Board appointments and Chief Executive Officers' terms of service and entitlements revealed that appointment of the Members of the Board was not done by notice in the official Gazette contrary to Section 8(13) of the Technical and Vocational Education and Training Act, 2013 which states that all appointments under this section shall be done by notice in the Gazette. Failure to give notice of Board appointments in the Gazette may result in Board members serving in multiple Boards which is contrary to Board regulations.

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

Management Response

863. The management has communicated to the Principal Secretary State department of TVET and is still awaiting the response given that the role of appointing and gazette of the BOG lies with the office of the Cabinet Secretary, Ministry of Education as provided for in Section 26 (5) of the TVET ACT.

864. Further, Section 26 (1) and (2) the TVET Act of 2013 indicates that only the National polytechnics are bodies corporate but not the Technical and Vocational Institutions.

Committee Observation

865. The Committee observes that the institution has made the necessary efforts to communicate to the Principal Secretary State Department but no action has been made.

Committee Recommendations

866. The Committee recommends that the Principal Secretary State Department deliberately appoints the BOG to the institution to enable smooth running of the institution.

13.1.7 Failure to maintain separate cash books

867. The college opened and maintained two bank accounts with the Kenya Commercial bank. However, receipts and payments were being recorded and accounted for in one cash book instead of operating separate cash books. This has resulted to comingling of funds and may eventually lead to loss of funds.

868. In the circumstances, the existence of an effective mechanism to safeguard public resources could not be established.

Management Response

869. The management opened the 2 bank accounts A/C NO 126341625 - school fees Account and A/c No 1263709354 Operations Account in 2019 with Kenya Commercial bank after advice and approval by the Board. However, through the Government directive by the Principal Secretary State department for Vocational and Technical Training the college only operates only one bank account no 1263416225. The other KCB bank A/C No.126370354 is inactive.

Committee Observation

870. The Committee observes that although the matter had been resolved as the Auditor-General was satisfied with the management response, the oversight by the finance officer could be a probable cause for loss of money and a loophole for embezzlement of public funds.

Committee Recommendations

871. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

872. The Committee further recommends that the issue be closed since the finance officer resigned and the issue has been resolved.

13.1.8 Lack of an Internal Audit Function and Committee

873. Review of records revealed that the College did not have in place a functional internal audit unit to appraise the management activities and operations. Further, the College did not have

an Audit Committee in place to provide oversight over financial operations and accountability.

874. In the circumstances, the existence of an oversight alternative plan to ensure proper monitoring could not be confirmed.

Management Response

875. The corona pandemic hit the institution on its second month of operationalization in early March, 2020 when the board was online month old, thus could not have appointed. Further, the appointment of members of the board committees delayed given that the board had not been inducted – this induction took place in November 2020. Immediately after induction the management had in place a functional audit and risk management committee from 18/01/2021. This committee of the Board oversights the financial operation and accountability of the institution

876. However, management has appointed the internal audit committee and attached are the appointment letters for the said committee.

Committee Observation

877. The Committee observes that the institution still doesn't have an active internal audit function and committee. This is attributed to the lack of capitation in the institution.

Committee Recommendations

878. The Committee recommends that plan to have an active audit function in place since it is very crucial in the running of the institution. This is to be actioned before the subsequent audit period.

<u>Audited statements for Financial Year 2020/21</u>

13.1.9 Statement of Financial Performance

879. The statement of financial performance and as disclosed in Note 2 to the Financial Statements reflects an amount of Kshs.14,960,284.00 under revenue from exchange transactions, which relates to tuition fees and other related revenues. However, this

amount differs with the amount of Kshs.12, 642,360.00 reflected in the ledger by Kshs. 2,317,924.00. No reconciliation or explanation was provided.

880. In the circumstances, the accuracy and completeness of the amount of Kshs. 14,960,284.00 reflected as revenue from exchange transactions in the statement of financial performance could not be confirmed.

Management *Response*

881. The variance of KSHS. 2,317,924.00 has been noted and reconciled as per the updated soft and hard copy of the attached analyzed fees register.

Committee Observation

882. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

883. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.10 Property, Plant and Equipment

884. The statement of financial position reflects property, plant and equipment balance of kshs 58,190,154.00. Further, the opening balance in PPE ought to have been an amount of KSHS 62,628,878.00 for the financial year 2019/20 instead of the reflected balance of KSHS 66,109,107.00 resulting to an understatement of PPE of ksh 3,480,825.00. Further, the basis of valuation was not provided for audit review. The balance excludes value of assets received from the Ministry of Education and a lawn mower purchased at a total cost of ksh. 50,000.00

885. Further, additions to property, plant and equipment of Ksh. 1,638,032.00 as disclosed in note 13 to the financial statements was not in agreement with the ledge balance of ksh 989,299.00 resulting to unreconciled variance of 648,733.00.

886. In the circumstances, the accuracy and completeness of the property plant and equipment balance of Kshs. 58,190154 could not be confirmed.

Management Response

887. The opening balance was KSHS 62,628,878.00 as per the Certificate Of Audit issued for FY 2019/2020 and the Lawn Mower has been incorporated in the PPE movement schedule.

ITEM	LAND	BUILDING	PLANT AND EQUIPMENT	COMPUTER AND COMPUTER ACCESSORIES	CATERING EQUIPMENT AND CULTREY	FURNITURE AND FITTINGS	TOTAL
OPENING BALANCE	3,000,000.00	50,451,148.00	5,347,922.00	201,299.00	236,532.00	2,241,732.00	62,628,878.00
Additional	-	-	50,000.00	-	-	-	50,000.00
TOTAL	3,000,000.00	50,451,148.00	5,397,922.00	201,299.00	236,532.00	2,241,732.00	62,678,878.00

888. The unreconciled value of Kshs. 648,733 that resulted from additions to Property Plant and Equipment of Kshs. 1.636,032 as disclosed in note 13 to the financial statement not being in agreement with the ledger balance of 989,299 was as a result of omission of Food and Beverage (catering and cutlery) worth Kshs. 112233 and furniture and fittings worth Kshs. 536500. Amounting to 648,733.

At 30 June 21	Description	Financial Statement	Schedule	Variance

	Catering Equipment	**236,532.00**	**124,299.00**	**112,233.00**
	Furniture And Fittings	**986,500.00**	**450,000.00**	**536,500.00**
		1,223,032.00	**574,299.00**	**648,733.00**

Committee Observation

889. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

890. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.11 Receivables from Exchange Transactions

891. The statement of financial position and as disclosed in Note 11 to the financial statements reflects receivables from exchange transactions balance of Kshs 5,368,170. However, the college did not maintain tuition fees register that would distinctively identifies capitation grant received for each student and tuition fees received from the students.

892. In the circumstance, the accuracy of receivables `from exchange transactions of Kshs 5,368,170 could not be confirmed.

Management Response

893. The fee payment status has so far been updated and is available with all the required details in both soft and hard copies to help determine accuracy of receivables from exchange transactions.

Committee Observation

894. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

895. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.12 Inaccuracy in the Financial Statements

896. The statement of financial position reflects an amount of Kshs. 68,000,043 under capital Reserve Fund, which is indicated as disclosed under Note 13 to the financial statements, however, the Note 13 to the financial statements discloses property plant and equipment movement schedule.

897. In the circumstance, the accuracy of the capital reserve fund balance of Kshs 68,000,043 could not be ascertained.

Management Response

898. The erroneous alignment of the notes to the financial statement was noted and has been corrected in the subsequent financial statement report for the year FY 2021/2022.

Committee Observation

899. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

900. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

13.1.13 Budgetary Control and Performance

901. The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis of Kshs 26,286,760 and Kshs 23,520,784 respectively resulting to an underfunding of Kshs 2,765,976 or 63%. Further the statement reflects an expenditure budget and actual on comparable basis of Kshs .

39,590,087 and Kshs.16,924,937 resulting to under expenditure of 22,665,150 representing 11% of the approved budget.

902. The underfunding and underperformance affected the planned activities of the college and may have impacted negativity on service delivery to students.

Management Response

903. Due to low government funding and late disbursement of capitation recurrent grants the college was unable to meet it budgetary obligation. Therefore, it underperformed in various areas. The management has made effort to request for the deficit.

Committee Observation

904. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

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

906. Further, the Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

13.1.14 Board of Governors Appointment

907. The matter has been discussed and The Committee reiterates its recommendations.

13.1.15 Lack of an Internal Audit Function and Committee

908. Review of records revealed that the College did not have in place a functional internal audit unit to appraise the management activities and operations. Further, the College did not have an Audit Committee in place to provide oversight over financial operations and accountability.

909. In the circumstances, the existence of an oversight alternative plan to ensure proper monitoring could not be confirmed.

Management Response

910. The management has so far appointed the internal audit committee and attached are the appointment letters for the said committee.

911. The appointment of members of the board committees delayed given that the board had not been inducted – this induction took place in November 2020. Immediately after induction the management had in place a functional audit and risk management committee from 18/01/2021. This committee of the Board oversights the financial operation and accountability of the institution

Committee Observation

912. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

913. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

14.0 SIKRI TECHNICAL AND VOCATIONAL COLLEGE

914. Mr Evans Oyoo, Principal, accompanied by;

  i. Herbert Ngaira- Finance Officer
  ii. Patricia Oketch- Procurement Officer

Appeared before The Committee to adduce evidence on the audited accounts of Sikri Technical and Vocational College, on 16th August 2023.

Audited statements for Financial Year 2018/19

14.1.1 Inaccuracies in Non-Current Assets

915. The statement of financial position and as disclosed in Note 19 to the financial statements reflects non-current assets balance of Kshs. 106,657,000. However, biological assets, learning equipment, furniture and agriculture machines of undetermined value were not included in the assets register. Further, the assets register was not updated with details such

as date of purchase or acquisition, depreciation to date, amortization to date, addition and disposals.

916. Consequently, the accuracy, completeness, valuation and fair presentation of non-current assets balance of Kshs. 106,657,000 as at 30 June 2019 could not be confirmed.

Management Responses

917. The Management agrees with the audit observation and wishes to state that the asset register and the property, plant and equipment balances have not been updated due to the following challenges:-

    i. The ADB/GOK training plant & equipment, which compose Agriculture and Civil Engineering Equipment were delivered but were yet to be commissioned, therefore the Institute had no purchase documents. AfDB correspondence on the values of the assets which was received on 24th November 2022 having arrived late and with a block figure as opposed to valuation of specific delivered assets.

    ii. Motor vehicles were donations by the institute's founders. To date the institute is not in possession of their documentation.

    iii. Part of the assets declared include movable assets like vans and tractors which were donations from the founding religious organization and whose documentation have never been handed over.

    iv. Covid-19 Protocol Programmes that disrupted the calendar of activities and further strained the budget especially for the two financial years; 2019-2020 and 2020-2021.

918. However, Management has now incorporated all the values of the assets in the asset register through a joint identification and valuation exercise with Public Works Office-Rachuonyo South.

919. In addition, the unexplained variance of Kshs. 107,800 is attributed to the changes in the valuation of the Biological Assets during the financial year as in Note 22 of the Financial Statements which was not included in Note 19.

920. The Biological Assets were declared separately in the Non-Current Assets in the Statement of Financial position.

Committee Observation

921. The Committee observes that although the matter had been resolved as the Auditor-General was satisfied with the management response, donations were yet to be updated in the books of accounts.

Committee Recommendations

922. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

923. Further, the Accounting Officer is advised to update the necessary donations within 3 months after the adoption of the report.

14.1.2 Receivables from Exchange Transactions

924. The statement of financial position and as disclosed under Note 18 to the financial statements reflects receivables from exchange transactions amount Kshs. 26,338,374. Included in the figure is an amount of Kshs. 22,249,421 being balance brought forward from the previous financial year. The detailed breakdown of the amount, relevant period it relates to and the reasons for non-recovery was not provided for audit.

925. Consequently, the accuracy, completeness and validity of the receivables from exchange transactions balance of Kshs. 26,338,374 could not be confirmed.

Management Responses

926. Management submits that the balance of Kshs. 22,249,421 relates to prior year debtors that arose from various internal inter-account transfers and which were certified by the Schools Audit Department as summarizes below:-

Description	Amount(Kshs.)
Investment Account	238,747.80
Sundry Debtors	3,114,634.55
Cash and Bank Balances	10,260,175.35

Valuation of Livestock	1,508,700
Debtors brought forward	3,721,643.70
Overdrawn Farm Account	976,186.80
Sundry Debtors Brought forward	2,394,308
Development Account	15,000
Milk Debtors	20,625
Total	**22,250,021.2**

927. However, the balances were subsequently reconciled and cleared in the 2019/2020 financial year.

Committee Observation

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

Committee Recommendations

929. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

14.1.3 Under-Banking Revenue

930. The statement of financial performance reflects revenue from exchange transactions amounting to Kshs. 9,300,857 for the year ended 30 June 2019. The reported revenue figure included an amount of Kshs. 762,121 which was not banked intact but was instead spent at source. This was contrary to Regulations 64 (4) of the Public Finance Management (National Government) Regulations, 2015 which provides that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a national government and shall not be used by any public officer in any manner between the time of their receipts and payment into the bank except as provided by law.

931. Consequently, the accuracy and fair statements of the revenue from exchange transactions amount of Kshs. 9,300,857 could not be confirmed.

Management Responses

932. Management submits that the amount of Kshs.762,121 was utilised towards emergency medical expenses to special needs students who required immediate response to save time, life and training needs.

933. In mitigation, Management has since developed the Finance policy which ensures that among others all the monies are banked before they are used. Other interventions that the Board of Governors have put in place to avoid emergency expenditures include the hiring and operationalizing a college clinic with a resident medical practitioner. Further, the college lately advertises and prequalifies service providers and suppliers for all services and goods to prevent unplanned cash expenditure. The measures have completely eliminated the issues around under banking. The college has also registered an online payment system to avoid handling of Cash by the finance department. There also exists MOUs with medical clinics to enact the **Treat-Bill-Later** policy.

Committee Observation

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

Committee Recommendations

935. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

14.1.4 Unauthorised Reallocation of Development Funds

936. The statement of financial performance reflects an amount of Kshs. 6,712,004 in respect of conditional development grant from National Government for the construction of classroom complex. The amount was received by the Institute on 20 May 2019 but later transferred from development to recurrent bank account. Management did not provide approvals for reallocating the funds from the development account to the recurrent bank account which is used for operation activities.

937. Consequently, the accuracy, fair statement and validity of thee Kshs. 6,712,004 in respect of conditional development grant could not be confirmed.

Management Response

938. The grant of Kshs.6,712,003 was received on 20 May, 2019 and utilised for operational expenditures. Later, on 6 June, 2019, communication was received from the Directorate of Technical Education that the disbursement was a development grant. As a result, the funds were re-imbursed to the development vote/account the intended use in the 2019/202 financial year.

Committee Observation

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

Committee Recommendations

940. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

14.1.5 Presentation of the Financial Statements

941. The financial statements for the year ended 30 June 2020 presented for audit review reflects the following anomalies;

   i. The statement of financial position reflects Kshs. 3,949,537 (deficit) and Kshs. 114,368,203 in respect of accumulated reserves and capital fund respectively, both referenced to Note 16 to the financial statements. However, the note relates to administration costs – general expense and not the two items of the statement.

Management Responses

942. The college submits that while preparing the notes, Note 25 was erroneously labelled as Note 16 in the statement of Changes in Net Assets. However, Management has put in place measures to ensure preparation and submission of accurate financial statements that are in compliance with the prescribed financial reporting template.

   ii. The institute of Certified Public Accountant of Kenya (ICPAK) member number of the accountant signing the financial statements is not indicated contrary to the

Public Sector Accounting Standards Board (PSASB) reporting guidelines and template issues in June, 2020

Management Responses

943. The college finance officer has all the minimum requirements for registration and is in the process of acquiring the certification.

iii. A progress on follow up of auditor recommendations report and a report on projects implemented by the college are not included in the financial statements contrary to the requirement of the PSASB reporting templates

944. Management agrees with the audit observation and regrets the omission. This was a result of the delay in receipt of the 2018/2019 final audit certificate, received on 14 January, 2022.

945. In addition, the Management wishes to state that it has put in place the mitigating measures to ensure that all prior year audit matters are resolved. Some of the consistent issues in prior year audit reports have been resolved as tabulated herein;

Prior Year Issue	Management Action Taken
Inaccuracies in Non-Current Assets	Management has now incorporated all the values of the assets in the asset register through a joint identification and valuation exercise with Public Works Office-Rachuonyo South. The values shall inform the property, plant and equipment balances in the 2022/2023 FY annual report and financial statements to be submitted for audit. Management has put in place effective internal review mechanism ensure preparation and submission of accurate and consistent financial statements
Receivables from Exchange Transactions	Acquisition of an Enterprise Resource Planning System (ERP) in July 2022. The new billing system is able to produce and print customer invoices promptly
Under-banking Revenue	The emergency expenses on student occurrences which required immediate response to save time, life and training

	needs, and the amount directly used were later transferred and deposited in IGA account. NB: The college has since developed the Finance policy which ensures that among others all the monies are banked before they are used. Other interventions that the Board of Governors have put in place to avoid emergency expenditures include the hiring and operationalizing a college clinic with a resident medical practitioner. Further, the college lately advertises and prequalifies service providers and suppliers for all services and goods to prevent unplanned cash expenditure. The measures have completely eliminated the issues around under banking. The college has also registered an online payment system to avoid handling of Cash by the finance department. There also exists MoUs with medical clinics to enact the Treat-Bill-Later policy.
Unauthorized Reallocation of Development Funds	The regulation requires that funds from Government are wired into one account. It happened that the system captured by treasury is for Development account and thus it's the management to separate the funds. This is often done with the guidance from letters from Director, TVET which is sent to the institution with the disbursement of all monies wired into the said account. The letter often explains whether the funds received are for development or are Operational grants. The institute receives both recurrent and development grants in one KCB account i.e. Development bank account (no. 1136587330). Later the recurrent funds are transferred to operational recurrent account (no 1101985127) for utilization.

Committee Observation

946. The Committee observed with concern that the institution was severely deficient in qualified accounting personnel. The Finance Officer posted to the school did not have the required qualifications.

Committee Recommendations

947. The Committee recommends that the National Treasury and the State Department for Technical and Vocational Training to second qualified accounts and procurement staff to the institution

14.1.6 Statement of Changes in Net Assets

948. The statement of changes in net assets reflects Kshs. 17,073,363 in respect of net surplus for 2018/2019. However, the Management did not provide supporting schedules and computation for the amounts. Further, the statement of changes in net assets reflect an amount of Kshs. 6,712,003 in respect of development grants which was not supported by ledgers and supporting schedules for the same.

949. Consequently, the accuracy and completeness of Kshs. 47,073,636 and Kshs. 6,712,003 changes in net asset for the year ended 30 June 2022 could not be confirmed.

Management Responses

950. Management regrets the error in carrying forward the accumulated surplus balances to the financial statements. However, proper internal review mechanisms have been instituted to ensure preparation of accurate and consistent financial statements before submission to the Office of the Auditor General.

951. The grant of Kshs.6,712,003 was received on 20 May, 2019 and utilised for operational expenditures. Later, on 6 June, 2019, communication was received from the Directorate of Technical Education that the disbursement was a development grant. As a result, the funds were re-imbursed for the intended use.

Committee Observation

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

Committee Recommendations

953. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

14.1.7 Statement of Cash Flows

954. The statement of cash flows for the year ended 30 June, 2020 contained inaccuracies as stated below;

   i. The statement of financial position reflects trade payables amounting to Kshs. 1,119,935 which decreased by Kshs. 12,665,974 from an amount of Kshs, 13,785,909 in 2019. However, the statement of cash flows reflects Kshs. 4,476,992instaed of Kshs. 12,665,974 leading to reconciled variance of Kshs. 8,188,982.

Management Responses

955. Actual trade creditors as at 30th June 2020 was 1,119,935 as per note 20 (page 19) of the financial statements.

   ii. The statement of financial position reflects receivable from exchange transaction of Kshs. 6,880,308 in respect of 2019/2020 which decreased from Kshs. 26,338,374 in 2018/2019 by Kshs 19,458,066. However, the statement of cash flows reflected Kshs 1,051,323 instead of Kshs 19,458,066 leading to an unrecociled variance of Kshs 18,406,743. Consequently, the accuracy, and completeness of the statement of cash flow for the year ended 30 June, 2020 could not be confirmed

Management Responses

956. Management regrets the error in statement of cash of cash flows balances to the financial statements. However, proper internal review mechanisms have been instituted to ensure preparation of accurate and consistent financial statements before submission to the Office of the Auditor General.

Committee Observation

957. The Committee observed with concern that the institution was severely deficient in qualified accounting personnel. The Finance Officer posted to the school did not have the required qualifications leading to erroneous errors noted.

Committee Recommendations

958. The Committee recommends that the National Treasury and the State Department for Technical and Vocational Training to second qualified accounts and procurement staff to the institution.

14.1.8 Undisclosed Property Plant and Equipment

959. The statement of financial position as at 30 June, 2020 reflects Kshs. 142,973,727 in respect of property, plant and equipment. Review of the asset records and physical verification of institute's assets revealed that the institution owned computers, furniture, vehicles, tractors, motor cycles and other assets whose values were not included in the assets register, and were also not disclosed in the financial statements, contrary to Paragraph 27 of International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

960. Consequently, accuracy and completeness of property, plant and equipment of Kshs. 142,973,727 as at 30 June 2020 could not be confirmed.

Management Responses

961. The Management agrees with the audit observation and wishes to state that the asset register and the property, plant and equipment balances have not been updated due to the following challenges: -

i. The ADB/GOK training plant & equipment, which compose Agriculture and Civil Engineering Equipment were delivered but were yet to be commissioned, therefore the Institute had no purchase documents. AfDB correspondence on the values of the assets which was received on 24th November 2022 having arrived late and with a block figure as opposed to valuation of specific delivered assets.

ii. Motor vehicles were donations by the institute's founders. To date the institute is not in possession of their documentation.

iii. Part of the assets declared include movable assets like vans and tractors which were donations from the founding religious organization and whose documentation have never been handed over.

iv. Covid-19 Protocol Programmes that disrupted the calendar of activities and further strained the budget especially for the two financial years; 2019-2020 and 2020-2021.

962. However, Management has now incorporated all the values of the assets in the asset register through a joint identification and valuation exercise with Public Works Office-Rachuonyo South.

Committee Observation

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

Committee Recommendation

964. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

14.1.9 Budgetary Control and Performance

965. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 85,934,000 and Kshs. 44,546,876 respectively resulting in a shortfall of Kshs. 41,387,124 or 48% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 85,934,000 and Kshs. 48,856,667 respectively resulting in an under performance amounting to Kshs, 37,077,333 or 43%.

966. The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the students and stakeholders of Sikri Technical and Vocational College for the Blind and Deaf.

Management Responses

967. During preparation of FY2019/2020 budget, the college anticipated receiving operational grant of Kshs.40,613,000. However, only Kshs.30,609,072 was received, leaving a balance

of Kshs.10,153,190 not received. This led to under performance in both revenue collection and as a result low absorption in expenditure.

Committee Observation

968. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

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

970. Further, the Institution is encouraged to develop income generating activities to supplement their financial flow so that they are not dependent only on government funding.

14.1.10Non-Compliance with Law on ethnic composition

971. During the year under review, the total number of employees was twenty-seven (27) out of which, twenty-one (21) or 78% of the total number were members of the same ethnic community.

972. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have, more than one third of its staff establishment from the same ethnic community."

Management Response

973. In the selection and recruitment of the remaining 27 employees that were engaged by the Board of Governors, the college exercised fair competition subject to paragraphs (h) and (i) of Article 232 (1)(h) and (I)(ii) of the Constitution of Kenya 2010 and section 7 of the National Cohesion and Integration Act 2008 that champions for;

   a. Gender Balance
   b. Disability consideration
   c. Ethnic balance
   d. Regional balance
   e. considerations of Minority and marginalized groups

974. From the foregoing, the majority of staff may share a common ethnic background; however, other factors such as different counties of origin would still meet the criteria of regional balance, issues of gender or PWD considerations. Also, as a corporate social responsibility, the college reserve a percentage of non-skilled labor to the local community dominated by Luo ethnic group

975. The following therefore forms the composition of the 27 employees of the BOG in reference to the above criteria.

a. Gender composition (Female 09(33.33%), male 18(66.67%)
b. PWDs Composition 6(22.22%)
c. Ethnic composition: Maasai 1(3.70%), Kisii 6(22.22%), Luhya 1 (3.70%), Luo 19(70.37%)
d. Regional balance comprising employees of various counties e.g.Kisumu 2, Homabay 16, Kisii 4, Nyamira 2, Kakamega 1, Narok 1, Migori 1etc as indicated in the staff data provided

976. The audit considered members of staff on Permanent engagement and disregarded employees on contract/temporary engagement.

Committee Observation

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

Committee Recommendations

978. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.

14.1.11 Lack of Internal Audit Function and an Audit Committee

979. During the year under review, the institution did not have an established internal audit unit to provide assurance on the state of risks, mitigation measures and controls contrary to Public Finance Act, 2012 section 73 (1) which requires every national government entity to

ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of Accounting Standards Board.

980. Similarly, the college did not have in place an audit committee contrary to Regulation 174(1) of the Public Finance Management (National Government) Regulation, 2015 which provided each National Government entity shall establish an audit committee. Lack of an independent and effective committee may lead to weak internal controls.

981. Consequently, the Institute is in breach of the law as provided under Regulation 174(1) of the Public Finance Management (National Government) Regulation, 2015.

Management Response

982. The Management submits that the college had significant budget deficits with the year in question's deficit standing at Ksh 41,387,124. In reference to the budgetary challenges, the college as at the time of the audit experiencing acute shortage of staff in all sectors including those delivering on the core mandate: trainers. That is the primary reason the college dis not have an established internal auditor. However, the process of establishing both the internal audit office and the audit committee has been progressively accelerated and the college has since established both.

983. The steps towards the establishment of the functions have included;

i. Establishment of the Audit and Risk Management Committee of the Board

ii. Capacity Building of the Audit and Risk Management Committee of the Board

iii. Engagement of an Internal Auditor

iv. Development of Policy documents (Audit Charter and Audit Work plan)

984. In addition to the internal Audits, the college has since established the Integrated Management System based on ISO 9001:2015 and ISO 27001:2013 and has since carried out two internal audits. Further, there has been established a Quality Assurance Department

in line with the requirements of the regulatory Authority (TVETA). This department has done termly audits to all sections of the college as well.

Committee Observation

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

Committee Recommendations

986. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

987. All audit queries in the subject financial year were recurring from the previous financial year. The Committee reiterates its observations and recommendations on the same.

15.0 KEROKA TECHNICAL TRAINING INSTITUTE

988. Mr. Haron Mausa, Principal, accompanied by;

Philip Okwoyo- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Keroka Technical Training Institute, on 17th August 2023.

Audited statements for Financial Year 2018/19

15.1.1 Presentation and Disclosure of the Financial Statements

989. The financial statements presented for audit contained the following inconsistencies;

i. The statement of cash flows for the year under review reflected grants and other subsidies of Kshs. 14,227,248. However, this amount was not captured in the statement of financial performance for the year under review.

ii. Appendix 1 on follow up on audit recommendations did not have page numbers and did not have page headers.

990. In the circumstances, the financial statements for the year ended 30 June, 2019 do not comply with the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

Management response

991. The management noted the error of omission and has rectified in the subsequent financial statements.

992. The management has incorporated the observations in the subsequent financial statement.

Committee Observation

993. The Committee observes an error actioned by the Finance Officer that has since been rectified.

Committee Recommendations

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

15.1.2 Irregular Expensing of Construction Costs as General Expenses

995. The statement of financial performance reflects general expenses of Kshs. 5,831,326 for the year ended 30 June, 2019. As disclosed in Note 13 to the financial statements, the expenditure includes an amount of Kshs. 3,563,926 which was incurred on an on-going construction of the Institute`s library. The expenditure was incorrectly classified and presented as part of general expenses instead of work-in-progress under property, plant and equipment.

996. Consequently, the accuracy and fair presentation of general expenses of Kshs. 5,831,326 for the year ended 30 June, 2109 could not be confirmed.

Management response

997. The figure of library grants has been restated in the financial year 2019/2020 and classified under grants and subsidy.

Committee Observation

998. The Committee observed that the accounting Officer was ignorant of/ or non-compliant with the various provisions of the PFM Act, 2012 and Public Audit Act, 2015.

Committee Recommendations

999. The Committee reprimands the Accounting Officer for negligence in observing the law.

15.1.3 Land Ownership Documents

1000. Disclosed in Note 22 to the financial statements under property, plant and equipment is land with a net book value of Kshs. 11,780,000 as at 30 June, 2019. As reported in the previous year, the Institute still does not have a document of title to confirm ownership of the land where it is situated. Information available indicates that the Institute is located on a ten acres' piece of land that was donated by ten community members. However, a valuation report dated August, 2019 indicated that the Institute occupies un-surveyed land measuring of 4.53 acres. This anomaly was not explained satisfactorily by the Management.

1001. Further, according to minutes of the meeting of the Board of Governors (BOG) which was held on 29 June, 2017, there was a claim for compensation by the above mentioned ten members of the community that was rejected by the County Land Management Board. No explanation was provided by Management on the status of the ten acres that was donated by the community.

1002. Consequently, the ownership of the land as well as the accuracy and completeness of its net book value of Kshs. 11,780,000 as at 30 June, 2019 could not be ascertained.

Management response

1003. The management initiated the process of determining the precise size of college land in acreage by involving the Kisii County Government surveyors to carry out survey works together with the surrounding community that provided the land to the Institute.

1004. This process started with the institution carrying out succession process where the documents where process.

1005. Currently the management is in the process of acquiring the college title deed and it has involved the Kisii County Government to come in to fast track the process. The process is at subdivision stage.

Committee Observation

1006. The Committee observes the necessary steps taken by the Accounting Officer to acquire land ownership.

Committee Recommendations

1007. The Committee recommends that the Accounting Officer makes it a priority to complete acquisition before the subsequent audit year.

15.1.4 Material Reduction in the Value of the Property, Plant and Equipment

1008. During the year under review, Property, Plant and Equipment were revalued downwards by Kshs. 478,313,236 as disclosed in Note 22 to the financial statements after engaging a professional valuer.

Management response

1009. The figure presented in the financial statements of 2017/2018 came from management perspective. However, during the audit of the said financial year (2017/2018) the management was advised to seek services of a professional and independent valuer who was engaged and gave the correct values that were used to prepare the financial statements of 2018/2019.

Currently the Institute uses the correct figures as per the professional valuer's evaluation report.

Committee Observation

1010. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1011. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.5 Establishment of Riatirimba Campus

1012. The statement of financial position reflects property, plant and equipment balance of Kshs. 423,804,239 as at 30 June, 2019. This balance includes an amount of Kshs. 21,150,000 which represents value of land and other assets including plant and machinery for Riatirimba Campus which is part of Keroka Technical Training Institute.

1013. Physical verification done on 11 March, 2020 revealed that the campus had been converted into an independent technical training institute with its own Principal without the approval of the National Government. Further, no documentation was provided to confirm how the campus was handed over to the proposed Riatirimba Technical Training Institute and students were yet to be admitted to the new campus.

Management Response

1014. The Ministry had posted the principal to head the Riatirimba mechanical workshop [proposed as TVC], without Board of Governors in place. After inauguration and induction of the BOG, the Ministry through TVET County Director gave direction through a circular on how handing over was to be conducted and thereafter the process was initiated.
1015. However, in the month of November, 2022, the Ministry gave further direction to continue mentoring the institution (Riatirimba TVC) to ensure effective completion of the pending project (Mechanical engineering Workshop).

Committee Observation

1016. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1017. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.6 Mentorship Funds

1018. During the year under review, Keroka Technical Training Institute received a total of Kshs. 11,642,730 towards the construction of Chepalungu and Orogare Technical Training Institutes that are under its mentorship programme. However, it was noted that the Institute did not have a budget for the funds which were received from the parent Ministry for the purpose of mentorship.

Management Response

1019. The Management noted the erroneous treatment of said mentorship funds and wish to state that the same should not recur in the subsequent year.

Committee Observation

1020. The Committee observed that the accounting Officer was ignorant of/ or non-compliant with the various provisions of the Regulation 139 of the PFM (National Government) Regulations, 2015 in regards to responsibility of asset management and Public Audit Act, 2015.

Committee Recommendations

1021. The Committee recommends that the National Treasury and the Office of the Auditor-General conducts annual sensitization and capacity building for all accounting officers and finance staff in State Corporations on their responsibilities during the audit cycle and adherence to IPSAS.

1022. The Committee reprimands the Accounting Officer for negligence in observing the law as this is not a new Institution and should be conversant with in its operations.

15.1.7 Orogare Technical Training Institute

1023. Orogare Technical Training Institute which is under the mentorship programme of the Keroka Technical Training Institute received an amount of Kshs. 8,321,365 for both operations and development during the year under review. However, physical verification done in March, 2020, revealed that construction of the Institute was not fully complete, part of the roof of the new building was leaking and manholes of the septic tank were left open. This is an indication of poor workmanship.

1024. Consequently, value for money of the expenditure of Kshs. 8,321,365 which was incurred at the Institute could not be confirmed.

Management response

1025. Communication was done to the contractor and the pending works were completed and certified.

1026. Thereafter, the institution was handed over to the institution's newly inaugurated board of governors

Committee Observation

1027. The Committee observes that the Technical Institute was complete awaiting verification which is to be done in the subsequent audit year.

Committee Recommendations

1028. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

15.1.8 Unconfirmed Cash and Cash Equivalents

1029. Note 15 to the financial statements reflects cash and cash equivalents balance of Kshs. 111,891,006. However, Management did not provide cash books for bank accounts that the Institute operated during the year under review.

1030. Consequently, the accuracy, validity and completeness of cash and cash equivalents balance of Kshs.111,891,006 as at 30 June, 2020 could not be confirmed.

Management response

1031. The management noted that the cashbook being generated by the system was not giving real time information. Hence the institution currently maintains a manual cashbook.

Committee Observation

1032. The Committee observes that the institution does not have an adequate system to perform their financial statements.

Committee Recommendations

1033. The Committee recommends that the Accounting Officer urgently incorporates the necessary software to execute their financial statements which will ultimately make their work easier and efficient as opposed to working manually.

15.1.9 Inaccurate Presentation of Property, Plant and Equipment and Lack of Land Ownership Documents.

1034. As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs. 434,518,256. The following inaccuracies were noted: -

i. The accumulated depreciation was omitted in calculating the net book value as at 30 June,2020,

ii. Land and buildings have a cost of Kshs. 207,252,229 and netbook value balance of Kshs. 192,563,620 resulting to unexplained variance amounting to Kshs. 14,688,609,

iii. Other assets (boreholes) have netbook value of Kshs. 4,117,050 as at 30 June, 2019 and a nil balance under the current year. However, there was no disposal or reclassification done during the period,

iv. Capital work in progress have netbook value of Kshs.23,267,806 as at 30 June, 2019 and a balance of Kshs. 17,791,174 under the current year resulting to unexplained variance amounting to Kshs. 5,476,632. There were no reclassification or capitalization done during the period,

1035. As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs. 434,518,256 which includes land and building balance of Kshs. 192,563,230. Included is land with an amount of Kshs. 11,780,000. As reported in the previous year, the Institute does not have title deed to confirm ownership of the land where it is situated. Information available indicates that the Institute is located on a ten acres' piece of land that was donated by ten community members. However, a valuation report dated August, 2020 indicate that the Institute occupies un-surveyed land measuring 4.53 acres.

1036. Further, minutes of the meeting of the Board of Governors (BOG) which was held on 29 June, 2017, indicates that there was a claim for compensation by the above mentioned ten members of the community that was rejected by the County Land Management Board. No explanation was provided by Management on the status of the ten acres that were donated by the community.

1037. Consequently, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs. 434,518,256 could not be ascertained.

Management response

1038. Being the institute's first year after valuing its assets, the year under consideration could not have accumulated depreciation.

1039. The balance as mentioned is not true since the auditor considered the opening balance other than closing balance which included the year's additions.

1040. The observation is not true as per the financial statements since the institution didn't have the said opening balance except additions for the year under consideration.

1041. The balance as mentioned is not correct since the auditor considered the opening balance other than closing balance which included the year's additions.

1042. The institute in its books included the value of land as per the information relied upon from the external valuer (SEC & M CO.LTD).

1043. The management thereafter initiated the process of determining the precise size of college land in acreage by involving the Kisii County Government surveyors to carry out survey works.

1044. Currently the management is in the process of acquiring the college title deed and it has involved the Kisii County Government to come in to fast track the process. The process is at subdivision stage.

Committee Observation

1045. The Committee observes Accounting Officer is taking the necessary steps to acquire land ownership documents.

Committee Recommendations

1046. The Committee recommends that the Accounting Officer makes it a priority to complete acquisition before the subsequent audit year.

15.1.10Budgetary Control and Performance

1047. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 166,245,626 and Kshs. 134,980,771 respectively resulting to an under-funding of Kshs. 31,264,855 or 19% of the budget. Similarly, the Institute expended Kshs. 102,307,141 against an approved budget of Kshs. 166,245,628 resulting to an under-expenditure of Kshs. 63,938,487 or 38% of the budget.

1048. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1049. The variances in income and expenditures were brought about by the change of training and KNEC exams which were affected by the COVID-19 pandemic.

Committee Observation

1050. The Committee observes that capitation remains to be an issue cutting across all learning institutions which negatively impacts service delivery.

Committee Recommendations

1051. The Institution is encouraged to develop other income generating activities to increase their cashflow so as not to depend on government funding only.

15.1.11 Lack of Age Analysis on Receivables from Exchange Transactions

1052. Notes 16 to financial statement reflects receivables from exchange transactions amounting to Kshs. 11,329,992 in respect of student's debtors. However, the Institution does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students in a timely manner contrary to Public Finance Management (National Government) Regulation, 2015 Section 64(1)(a). In addition, the ageing analysis of these outstanding receivables was not availed for audit review.

1053. Consequently, Management is in breach of the law.

Management response

1054. It has been a challenge to the management to initiate fee collection policy being the fact that most of the fee collections is from National government and other government agencies e.g.

HELB, CDF etc., it has been engaging other stake holders to come up with universal fee collection policy for all TVET Institutions.

1055. The management is currently maintaining aging analysis for its outstanding receivable.

Committee Observation

1056. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1057. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.12 Lack of Training Needs Assessment

1058. As disclosed in Note 9 to the financial statements, the statement of financial performance reflects use of goods and services amounting to Kshs. 38,273,725 which includes Kshs. 616,550 paid in respect to industrial attachment and training expenses. However, there was no training needs assessment report availed for audit as per the provisions of part VI Section H.3(1) of Human Resource Policies and Procedures Manual for the Public Service 2016.

1059. Consequently, the Institute is in breach of the law.

Management Response

1060. The Institute has currently employed the Human Resource Officer who currently does the needs assessments for the management's implementation.

Committee Observation

1061. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1062. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.13 Staff Ethnic Composition

1063. As disclosed in Note10 to the financial statements, the statement of financial performance reflects an amount of Kshs. 21,123,341 in respect of employee cost out of which an amount of Kshs. 17,616,775 relates to salaries and wages to staff. Examination of employee records revealed that out of 85 employees, 66, translating to 78% were from one dominant community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

1064. Consequently, the Institute is in breach of the law

Management response

1065. The management has initiated the process of aligning its staff ethnic composition as per the law.

Committee Observation

1066. The Committee observes that all public institutions are expected to abide by values and principles of public service as provided for under Article 232 (1)(h) and (I)(ii) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1067. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.

15.1.14 Inactive Audit Committee

1068. Examination of the Internal Audit Department revealed that the audit committee of the Institute was largely dormant and did not execute its mandate as enshrined in the Public

Finance Management Regulations, 2015. Further, there was no evidence that the audit committee has been meeting to deliberate on these reports since no board meeting minutes were availed for audit. In addition, there was no established Internal Audit Charter put in place to guide the operations of the audit committee for the period under review.

1069. In the circumstances, it has not been possible to ascertain that the internal control processes of the Institute have been operating effectively.

Management response.

1070. The Board Audit Committee is currently active and in place.

Committee Observation

1071. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1072. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.15 Lack of Key Positions in Administration

1073. Examination of the Institute's staff establishment structure revealed that there was a under staffing in key critical positions in disregard of circular reference number MOE/VTT/ADM/CONF/2/5/27 of 19 June, 2020 from the parent Ministry of Education which called for recruitment of competent members of staff. Some of the critical staff positions which are vacant are Finance Officer, Accountant Internal Auditor, Supply Chain Management and Human Resource Officer.

1074. Consequently, the Institute is in breach of the directive from the parent ministry which in turn compromises the effectiveness of the internal controls and governance structures.

Management response

1075. The institute has currently adhered to the ministry's directive regarding circular reference number MOE/VTT/ADM/CONF/2/5/27 of date 19th June, 2020 by employing qualified staff i.e., Finance officer, Accountant, Internal Auditor, Procurement and Human Resource Officer.

Committee Observation

1076. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1077. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.16 Institute's Strategic Plan

1078. The Management developed a strategic plan for a period of five (5) years from July, 2016 to June, 2021 which was revised in August, 2016. The plan highlights the key issues, goals, objectives and strategies that will assist the institution in the development and management of its resources. Review of the strategic plan however did not give a breakdown on a yearly basis of the programmes that were to be implemented so as to achieve the end goal of attaining the desired objective.

1079. During the audit, it was noted that a number of desired programmes namely construction of men and female hostels and erection and completion ICT Complex that were to be implemented had not been done five (5) months to the expiry of the 5-year.

1080. Consequently, the effectiveness of the Institute's internal controls and governance structures were compromised in the absence of full implementation of the strategic plan.

Management response.

1081. The management has adhered to the requirement and currently has prepared its strategic plan with a breakdown on a yearly basis of its program.

Committee Observation

1082. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1083. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

15.1.17 Lack of Information Technology (ICT) Policy

1084. Audit of the Information Technology (IT) environment and its controls revealed that there is no Information Communication Technology (ICT) Policy in place to govern IT environment. In the absence of a clear Information Communication Technology (ICT) policy data recovery mechanisms, data confidentiality and integrity cannot be guaranteed in case of an attack on the ICT environment

Management response

1085. The Board of management initiated the process of developing its lacking policies with priority pegged on availability of finances and as a result the ICT Policy is currently at draft stage awaiting the full board approval.

Committee Observation

1086. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1087. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

1088. All audit queries in the subject financial year were recurring from the previous financial year. The Committee reiterates its observations and recommendations on the same.

16.0 SIALA TECHNICAL TRAINING INSTITUTE

1089. Mrs. Asha Bakari, Principal/Chief Accounting Officer, accompanied by;

Peter Adodi- Accountant

Appeared before The Committee to adduce evidence on the audited accounts of Siala TTC, on 16th August 2023

Audited statements for Financial Year 2018/2019

16.1.1 Cash and Cash Equivalents

1090. Included in the cash and cash equivalents balance of KES.8,705,502 as at 30 June, 2019 are KES.1,288 and KES.65,200 representing cash in hand and Mpesa, balances respectively. Cash count certificate for cash in hand and Mpesa statements supporting the balances were not, however, provided for audit. Further, bank reconciliation statements for two bank accounts which are operated by the Institute were not provided for audit.

1091. In the circumstances, the accuracy and completeness of cash and cash equivalent balance of KES.8,705,502 as at 30 June 2019 could not be confirmed.

Management Response

1092. The management realized that the two bank accounts had recorded minimum or zero transactions respectively for the period under audit hence bank statements, bank certificates and trial balances and bank reconciliation statements were provided for audit review.

Committee Observation

1093. The unreconciled balances were occasioned by the obtaining of the MPESA statements that Safaricom has to go to the archives to extract.

Committee Recommendations

1094. The institution should obtain the Mpesa statements from SAFARICOM and carry out the reconciliation. The OAG to report on the matter in the next audit cycle.

16.1.2 Property, Plant and Equipment (PPE)

1095. The statement of financial position reflects PPE balance of KES.98,881,367 as at 30 June, 2019 as disclosed in Note 18 to the FSs which reflect the following anomalies: (i) According to a letter dated 13 December, 2018 from Ministry of Education confirming values of certain assets donated by the Ministry to the Institute, the donations included electrical and mechanical engineering training equipment valued at KES.52,268,300 and KES.121,713,496, respectively. However, the values were not incorporated in the PPE schedule or included in the balance reflected in the FSs. (ii) An expenditure of KES.2,083,111 was incurred on construction of modern toilets and additions to furniture and fittings. The amount was reclassified from expenses to PPE during the year under review without journal vouchers supporting correction of the error. (iii) The value of land on which the Institute occupies was not incorporated in the balance of PPE.

1096. In the circumstances, the accuracy and completeness of the PPE balance of KES.98,881,367 as at 30th June 2019 could not be confirmed.

Management Response

1097. The management had communicated to the Ministry of Education seeking clarification on the values of the building and equipment. The response from the ministry was that the Building Cost was KES.97,494,488.72 and the Equipment Cost was KES.121,713,495.95 (USD 1,432,368.19 {Exchange rate USD 1= KES.84.97361)}. The management had to write back to the Ministry of Education for Clarification on individual values of Equipment, but response had yet to be received by the Institution. Hence the figure of KES.121,713,496 could not be included in the PPE schedule without asset classification for depreciation purposes.

1098. The figure of KES.52,268,300 is for Civil Engineering Equipment which are yet to be delivered to the institute as Civil Engineering Complex is still under construction funded by AfDB and supervised by the Ministry of Education.

1099. The journal vouchers for KES.2,083,111 incurred on construction of modern toilets and additions to furniture and fittings were submitted for verification to support their reclassification to PPE.

1100. The process of Land valuation had started, survey had been done by the County Land Surveyor from Migori County. The Survey Report forwarded to the County Land Valuer in Kisii County hence the management could not include the value of land as it was yet to be established.

Committee Observation

1101. The principal personally went to the Ministry to get the letter used to supply the equipment to enable them to incorporate them as part of their PPE schedule. Valuation of land had an issue of not tracing the original title need inhibiting the completion of the valuation. Consequently, the institution is the process of obtaining a new title deed (after finishing all the required procedures) for 50 acres land which will enable them to include the land as part of the PPE schedule.

Committee Recommendations

1102. Auditor to review the submitted journal entries and report to The Committee by August 30, 2023. Regarding the issue of land and PPE the Principal to ensure the equipment donated by the Ministry are incorporated as part of PPE schedule plus the land after obtaining the new title. The auditor to confirm this in the next audit cycle.

16.1.3 General Expenses

1103. The statement of financial performance reflects general expenses of KES.8,382,456 for the year ended 30 June 2019. Documents provided for audit revealed that an adjustment of KES.91,750 was made to reflect the reclassification of purchase of printers to PPE. Further, an amount of KES.1,045,664 relating to refunds to students was transferred to examination fees. However, journal vouchers were not prepared to reflect the correction of these errors.

Management Response

1104. Management concurs with the Audit observation, however the journal vouchers supporting the correction of errors have been provided for audit verification.

Committee Observation

1105. The issue was resolved since the Auditor had already verified the journal vouchers supporting the correction of errors.

Committee Recommendations

1106. The principal (Accounting Officer) to ensure that such errors do not recur in the future by ensuring that the Accounts teams seriously and thoroughly discharge their work of ensuring completeness and accuracy of the accounting records.

16.1.4 Statement of Comparison of Budget and Actual Amounts

1107. The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects original budgeted revenue and expenditure of KES.31,507,514 each and adjustment of KES.20,743,488 in each case leading to a final approved budget of KES.52,251 ,002. The adjustment of KES.20,743,488 was not supported with adequate relevant documents.

1108. Consequently, the completeness, accuracy and validity of the budget figures reflected in the statement of comparison of budget and actual amounts for the year ended 30 June 2019 could not be confirmed.

Management Response

1109. The management realized that the enrolment was growing more than the projected student population. This was after the Government had indicated that students in TVET colleges shall benefit from GoK Capitation resulting to higher enrolment, which necessitated supplementary budget.

Committee Observation

1110. The Committee noted that, based on the management's response, the Auditor confirmed that the issue was resolved.

Committee Recommendations

1111. The principal should have more realistic projections going forward based on the Government's directives and policy changes that do have a direct impact on its budget numbers.

16.1.5 Human Resource Function

1112. A review of the operations of the human resource function revealed the following weaknesses during the year under review: (i) The Institute does not have an approved staff establishment in place to guide on staffing requirements; (ii) There were no Human Resource Policy and Procedures Manual in place; (iii) The Institute does not have substantive human resource personnel; (iv) The payroll was prepared by the Institute's Accountant thereby compromising on segregation of duties between finance and human resource functions; and (v) The Institute recruited six members of staff during the year but a copy of the advertisement inviting the applications, a record of shortlisted applicants, interview minutes, regret notifications and employment letters were not provided for audit.

1113. It was further noted that the Institute did not have a substantive human resource person hence the accountant was involved in the preparation of payroll and effecting payroll transactions thus affecting segregation of duties.

Management Response

1114. The management has developed a draft staff establishment and staff Human Resource policy which are awaiting the Board approval.

1115. The Board of Governors approved the advertisement of Human resource officer. The management has since hired Human resource officer.

1116. The payroll is now being prepared by the accounts department, confirmed by the human resource person, and approved by the principal.

1117. The approval minutes for recruitment and adoption of the interview panel, recommendation as well as the appointment letters for the successful applicants have been provided for audit verification.

Committee Observation

1118. The address the above issue, the following documents were submitted: - (i) Draft Staff Establishment; (ii) Draft Human Resource Policy; (iii) Human Resource Officer appointment letter; (iv) Board Minutes; and (v) Appointment letters. The document are to be approved by 31st Dec 2023.

Committee Recommendations

1119. The Accounting Officer to ensure the documents are approved by the Board and the OAG to confirm the same in the next audit cycle.

Audited statements for Financial Year 2019/2020

16.1.6 Property, Plant and Equipment (PPE)

1120. Note 18 to the FSs reflects KES.98,297,548 in respect to PPE. However, the balance excludes value of buildings and equipment totalling to KES.219,207,985 (Phase 1 GOK/AfDB Mechanical Engineering Workshop Block-KES.97,494,489 and Supply, delivery, installation, commissioning and training on the use and maintenance of mechanical engineering training equipment-KES.121,713,496 which have been confirmed by the Ministry of Education, State Department of Vocational and Technical Training) as well as land of unknown value and capital WIP.

1121. Consequently, the accuracy, validity, completeness, and ownership of PPE of KES.98,297,548 as at 30 June 2020 could not be confirmed.

Management Response

1122. The management had communicated to the Ministry of Education seeking clarification on the values of the building and equipment. The response from the ministry was that the Building Cost was KES.97,494,488.72 and the Equipment Cost was KES.121,713,495.95. The management had to write back to the Ministry of Education for Clarification on individual values of Equipment, but response had yet to be received by the Institution. Hence the figure of KES.121,713,496 could not be included in the PPE schedule without asset classification for depreciation purposes.

1123. The process of Land valuation had started, survey had been done by the County Land Surveyor from Migori County. The Survey Report forwarded to the County Land Valuer in Kisii County, but the results haven't been received by the institute hence the management could not include the value of land as it was yet to be established.

Committee Observation

1124. This was a recurring issue from FY 2018/19. The Institute submitted copy of letter to the Ministry of Education and County Land Surveyors Migori requesting values of assets and survey of the institute land. This demonstrates the institute is taking the required action to address the issue.

Committee Recommendation

1125. The Auditor to confirm in the next audit cycle if the equipment donated by Ministry of Education are included in the PPE schedule and that the Institution fastrack the completion of survey of its land afterwards gets a title for the land to have it included in the PPE schedule.

16.1.7 Depreciation and Amortization Expense

1126. Note 9 to the FSs reflects KES.2,984,944 in respect to depreciation and amortization expense which differs with KES.2,740,812 reflected under Note 18 on PPE leading to unreconciled variance of KES.244,132.

1127. Consequently, the accuracy, validity, completeness of depreciation and amortization balance of KES.2,984,944 for the year ended 30 June 2020 could not be ascertained.

Management Response

1128. The management wishes to confirm that the variance of KES.244,132 relates to amortization of intangible assets disclosed in note 19 of the financial statements.

Committee Observation

1129. Based on the above response by the Management, the Auditor confirmed that the issue was resolved.

Committee Recommendation

1130. The principal to ensure that such issues are resolved well in advance before the Auditor finalizes the report.

16.1.8 Budgetary Control and Performance (Receipts Analysis)

1131. The statement of comparative budget and actual amounts reflects total receipts budget and actual on comparative basis of KES.73,805,824 and KES.39,056,123 respectively resulting to an under-funding of KES.34,749,701 or 47% of the budget.

1132. The shortfall of KES.34,782,581 on revenue represents budgeted goods and services that were not delivered to the students of Siala Technical Training Institute.

Management Response

1133. The shortfall in revenue realized which resulted in under expenditure was as a result of Covid-19 pandemic. This made it difficult for students coming back from attachment and student's intake to halt hence shortfall in projected students' population and revenue projected. In addition, the Institute delayed getting Government Capitation and Helb loan disbursement for the period under review.

Committee Observation

1134. This is a recurring issue across many institutions which was exacerbated by the Covid-19 pandemic.

Committee Recommendation

1135. The PS National Treasury to address the issue of exchequer delays that affect the revenue of these institutions.

16.1.9 Budgetary Control and Performance (Expenditure Analysis)

1136. Similarly, the statement reflects approved final expenditure budget and actual on comparative basis of KES.73,805,824 and KES.29,512,836 resulting to under absorption of KES.44,292,988 or 60% of the budget. The under absorption of the budget is contrary to Section 31 of the PFM Act, 2012 which requires Accounting Officers to ensure that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her or his National Government entity during the financial year.

1137. There is need therefore for the Management to review its budget making process with a view to formulating a realistic budget that would be actualised for service delivery to the students at the institute.

Management Response

1138. The effects of Covid-19 pandemic made it difficult for some expenditure to be realized as many activities were halted apart from compensation of employees, salaries were paid despite the institution being closed for a while, remuneration to directors was also paid since many of the BOG meetings were held virtually.

Committee Observation

1139. The Committee noted that based on the management's response, the Auditor confirmed that the issue was resolved.

Committee Recommendation

1140. The Accounting Officer ensures the institution's budgets are reviewed periodically to reflect realistic projections based on the Government's directives.

16.1.10 Receivables from Exchange Transactions

1141. Note 15 to the financial statements reflects KES.11,802,503 in respect to student Debtors. However, the Institution does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students in a timely manner contrary to Section 64(1)(a) of Public Finance Management (National Government) Regulation 2015 Which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt Collection and proper accounting for, all national government revenue and other public moneys relating to their Ministries, departments or agencies.

1142. Consequently, management is in breach of the law.

Management Response

1143. The management has started the process of developing a fee collection policy, a production unit policy and examination policy.

1144. However, the student debtors balance is still increasing as a result of delay by the National Government in disbursement of capitation grant.

Committee Observation

1145. The Committee observes that exchequer delays by the National Government was the main cause of outstanding balances of capitation grants.

Committee Recommendations

1146. The Committee recommends that the institution needs to follow-up the arrears with the students and in the event of write-offs they need to follow the laid down procedures and laws for write-offs. The auditor to report on the progress made in the next audit cycle.

16.1.11 Staff Ethnic Composition

1147. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.12Human Resource function

1148. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.13 Lack of Internal Audit Unit

1149. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

Audited statements for Financial Year 2020/21

16.1.14 Property, Plant and Equipment (PPE)

1150. The statement of financial position reflects a balance of KES.97,012,406 in respect to PPE as disclosed in Note 18 to the FSs. However, as previously reported, the value of buildings and equipment totalling to KES.219,207,985 (*Phase 1 GOK/AfDB Mechanical Engineering Workshop Block-KES.97,494,489 and Supply, delivery, installation, commissioning and training on the use and maintenance of mechanical engineering training equipment-KES.121,713,496 which have been confirmed by the Ministry of Education, State Department of Vocational and Technical Training*) as well as land of unknown value and capital WIP.

1151. In the circumstances, the accuracy, completeness and fair presentation of PPE balance of KES.97,012,406 could not be confirmed.

Management Response

1152. The management had communicated to the Ministry of Education seeking clarification on the values of the building and equipment. The response from the ministry was that the Building Cost was KES.97,494,488.72 and the Equipment Cost was KES.121,713,495.95. The management had to write back to the Ministry of Education for Clarification on individual values of Equipment, but response had yet to be received by the Institution. Hence the figure of KES.121,713,496 could not be included in the PPE schedule without asset classification for depreciation purposes.

1153. The process of Land valuation had started, survey had been done by the County Land Surveyor from Migori County. The Survey Report forwarded to the County Land Valuer in Kisii County, but the results haven't been received by the institute hence the management could not include the value of land as it was yet to be established.

Committee Observation

1154. This was a recurring issue from FY 2018/19 and FY 2019/20. The Institute submitted copy of letter to the Ministry of Education and County Land Surveyors Migori requesting values of assets and survey of the institute land. This demonstrates the institute is taking the required action to address the issue.

Committee Recommendations

1155. The Auditor to confirm in the next audit cycle if the equipment donated by Ministry of Education are included in the PPE schedule and that the Institution fastrack the completion of survey of its land afterwards gets a title for the land to have it included in the PPE schedule.

16.1.15 Receivables from Exchange Transactions

1156. The statement of financial position reflects current receivables from exchange transactions balance of KES.13,582,299 as disclosed in Note 15 to the FSs which relates wholly to student debtors. However, the management did not provide the aging analysis. In addition, management did not provide evidence of effort made to collect the debts.

1157. Consequently, the recoverability of the balance of KES.13,582,299 from exchange transactions could not be confirmed.

Management Response

1158. The development of fee collection policy is at the Board level for ratification and shall be implemented immediately. In addition, effort has been made towards recovery of the balance and amount of KES.632,299 was recovered in FY 2021/22. However, the figure continues to increase due to delay in disbursement of capitation grants by the National Government.

Committee Observation

1159. This is a recurring issue from FY 2019/20 and exchequer delays by the National Government was the main cause of outstanding balances of capitation grants.

Committee Recommendations

1160. The institution needs to follow the arrears with the students and in the event of write-offs they need to follow the laid down procedures of write-offs. The auditor to report on the progress made in the next audit cycle.

16.1.16 Budgetary Control and Performance

1161. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.17 Lack of Ethnic Diversity in Staff Composition

1162. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.18 Lack of Staff Establishment

1163. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.19 Lack of Functional Audit Committee

1164. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.20 Lack of Internal Audit Function Unit.

1165. The committee observed that the issue is recurring from previous financial years and reiterates its recommendations.

16.1.21 Lack of Risk Management Policy and Framework

1166. Review of the Institute risk management framework revealed that there was no Risk Management Policy Framework to guide in the identification, assessment, and mitigation of risk. This is a contravention of the provisions of Regulation 165(1) of Public Finance Management (National Government) Regulations, 2015 which outlines the role and responsibility of accounting officers in respect to risk management.

1167. In the absence of Risk Management Policy, the Institute lacks a blueprint for identifying. prevention and mitigating risks to ensure that its operations are not interrupted in case of unforeseen events.

Management response

1168. The management undertakes to comply with the recommendation immediately. The Management has initiated the process of developing a risk management policy and framework for approval by the audit committee.

Committee Observation

1169. The committee observed that the risk management policy was in place but the Internal Audit Committee that is required to approve the policy is yet to be established.

Committee Recommendations

1170. Management to fast-track the establishment of the Internal Audit Function and Internal Audit Committee that are responsible for the development and approval of the risk management policy, respectively, by December 2023.

17.0 RAMOGI INSTITUTE OF ADVANCED TECHNOLOGY

1171. Mr. Tom Mulati, Principal, accompanied by;

i.) Mr. George Adero- Finance Officer

ii.) Mr. Maren Omondi- Former Principal

Appeared before The Committee to adduce evidence on the audited accounts of Ramogi Institute of Advanced Technology, on 17th August 2023.

Audited statements for Financial Year 2018/19

17.1.1 Late Submission of Financial Statements

1172. The Institute's 2018/2019 financial statements were submitted for audit on 10 January 2020 which is one-hundred and two (102) days after the statutory date of 30 September, 2019. This is contrary to section 68(2)(k) of the Public Finance Management Act,2012 which requires an Accounting Officer to prepare and submit the financial statements to the Auditor-General within three months after the end of financial year to which the accounts relate.

1173. The management was therefore in breach of the law.

Management response

1174. The requirement to submit the financial statements to the office of the Auditor General was received after the same had been submitted to the school Auditor who had been responsible for the Audit of the Institution over the years.

Committee Observation

1175. The Committee observes that management was in breach of the law

***Committee recommendations*.**

1176. The Committee cites management for incompetence and recommends that must at all times ensure compliance with section 68(2)(k) of the Public Finance Management Act,2012 which requires an Accounting Officer to prepare and submit the financial statements to the Auditor-General within three months after the end of financial year to which the accounts relate.

17.1.2 Inaccuracies in the Financial Statements

1177. The statement of financial performance reflects balances in respect of four items, which differ from the amounts disclosed in the statement of cash flows and the statement of comparison of budget and actual amounts, as follows;

Item	Statement of Financial Performance (Kshs.)	Statement of Cash Flows (Kshs.)	Statement of Comparison Budget and Actual (Kshs.)
Actual Revenue	117,692,776	104,713,589	94,169,716
Sale of Goods	6,885,242	6,221,967	6,885,242
Use of Goods& Services	44,860,119	39,953,261	44,860,119

Rental Revenue	987,478	936,927	987,478

1178. The differences between the three statements have not been reconciled.

As a result, the accuracy and completeness of the financial statements for the year ended 30 June 2019 could not be ascertained.

Management Response

1179. The attachments for the amended reconciliation statement were provided.

Committee Observation

1180. The Committee observes that the matter had been resolved as the institution had carried out the reconciliation.

Committee Recommendations

1181. The Committee reprimands the Accounting Officer and recommends that at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 to ensure that the entity keeps financial and accounting records that comply with this Act.

17.1.3 Cash and Cash Equivalents

1182. The statement of financial position reflects a cash and cash equivalents balance of Kshs 47,192,230, which as further disclosed under Note 13 to the financial statements includes an amount of Kshs.39, 642,617 in respect of the main bank account at National Bank. However, this amount differs from the reconciled cash book balance of Kshs 45,829,617 resulting to unexplained variance of Kshs 6,187,000. Further, the cash and cash equivalents includes cash at hand of Kshs 37,166 which was not supported by a board of cash survey report.

1183. Consequently, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.47, 192,230 could not be confirmed.

Management response

1184. Refer to the attachment for the amended reconciliation. Board of survey requirement was brought to the attention of the Institute after the statements had been submitted. This requirement has been implemented in the subsequent years.

Committee Observation

1185. The Committee observed that the matter had been resolved as the institution had provided the documentation.

Committee Recommendations

1186. The Committee reprimands the Accounting Officer and recommends must at all times ensure compliance with Section 68(2)(k) of the PFM Act 2012 and section 21 of the Public Audit Act, by providing supportive documentation on time.

1187.

17.1.4 Long Outstanding Receivables from Exchange Transactions

1188. As disclosed in Note 14 to the financial statements, the statement of financial position reflects receivables form exchange transactions balance of Kshs 51,105,197. Review of a schedule on aging analysis showed that the balance included fees arrears and rent debtors totalling Kshs.29, 175,269 and Kshs.1, 153,052 respectively which date back to the financial year 2014/2015 had not been recovered as of 30 June 2019. However, the Management did not explain reasons for not collecting debt or include a provision for bad and doubtful debts in these financial statements.

1189. Consequently, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.51, 105,197 reflected in the statement of financial position as at 30 June 2019 could not be confirmed.

Management response

1190. Fees arrears were for students who have completed courses with balances. The institute expect to collect the arrears when the affected students come for their certificates. Rent arrears balances are from PSC staff some of which have retired. The matter was reported to the board and recommended for a write-off. The policy on debts was developed in the year 2022.

Committee observation

1191. The Committee observes that the matter has been resolved as the Auditor General was satisfied with management response.

17.1.5 Unconfirmed Ownership of Property, Plant and Equipment

1192. The statement of financial position reflects Property, plant and equipment balance of Kshs 1, 679, 796,448. However, the following anomalies were noted in respect to the balance;

i. Contrary to the requirements of the Public Sector Accounting Standard Board (PSASB), depreciation charge and amortization on the assets was not charged against revenue for the year. Further, an asset movement schedule was not prepared and included in the financial statements under review.

ii. Included under Note 17 to the financial statements is a new bus worth Kshs 11,000,000 which has been classified under work in progress instead of disclosing the asset as a motor vehicle.

iii. Disclosed under Note 17 to the financial statements is an amount of kshs 1,120,000,000 in respect of land. The balance includes land measuring 200 acres at Kibos valued at kshs 120,000,000. However, records confirming ownership of the land by the Institute were not provided for audit review. Further, records presented for audit revealed that, a National Government entity had claimed ownership against a portion of the land measuring approximately 150 acres, resulting in a dispute.

iv. Valuation report provided for audit showed that the Institute had a 200-acre parcel of land at RIAT Dago. However, the title deed issued to the Institute indicated ownership of 156 acres. Available information indicated that, the balance of 44 acres had been sub-divided and ownership given to private developers and individuals.

1193. In the circumstances, the ownership, existence, completeness and accuracy of the property, plant and equipment balance totalling Kshs.1, 679,796,448 as at 30 June 2019 could not be confirmed.

Management comments

i. Fixed asset movement schedule was implemented in the subsequent years. Policy on depreciation was developed in the year 2022

ii. This was noted and the bus classified under motor vehicles in the subsequent year.

iii. It is true Kibos land is disputed, however the Institute is the true owner and was issued with the allotment letter for the same.

iv. It is true Riat dago land is disputed and the matter is being handled by the Board

Committee Observation

1194. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1195. The Committee reprimands Accounting Officer the recommends that management must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Section 21 of the Public Audit Act, by providing supportive documentation on time.

17.1.6 Unauthorised Over Expenditure

1196. As reflected in the statement of comparison of budget and actual amounts for the year under review, the Institute had an expenditure budget of Kshs.17,429,099 and Kshs 18,761,500 in respect of employees' cost and general expense respectively and incurred actual expenditure on comparable basis of Kshs 20,235,140 and Kshs 23,263,345 resulting to over expenditure of Kshs.2,806,041 and Kshs4,501,845 in respect of the two items. However, there was no evidence to show that management sought necessary approvals before incurring the expenditure.

1197. Management was therefore in breach of the law.

Management response

1198. Over expenditure in employees' cost was a result of additional BOG trainers to fill the gap left by trainers who retired. The over expenditure on general expense was as a result of provision of meals to students at a subsidized rate.

Committee Observation

1199. The Committee observed that management was in breach of the law.

Committee recommendation

1200. The Committee reprimands the Accounting Officer and recommends that they seek parent ministry guidance and desist from engaging in unauthorized expenditures

17.1.7 Long outstanding Employee Benefit obligation

1201. As disclosed in note 24 to the financial statements, the statement of financial position reflects a balance of Kshs.5,259,782 in respect to employee benefit obligation relating to the financial years 2010/2011 to 2018/2019. However, no satisfactory explanation was provided for the failure to settle the long outstanding liability.

1202. The delays in settling the debt, is likely to expose the Institute to unnecessary penalties and interests.

Management response

1203. Employee benefit obligation was a provision and not a liability

Committee Observation

1204. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1205. The Committee recommends that the Accounting Officer henceforth complies with Section 19 (4) of Employment Act 2007 which states that "An employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a)(f)(g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

17.1.8 Failure to Charge Tax on Board of Governors' Expenses

1206. Note 11 to the financial statements reflect Board of Governors' (BOG) costs amounting to Kshs 2,312,500. However, the Management did not charge and remit due taxes totalling Kshs.303,900 on allowances and benefits paid to the Board Members during the year under review contrary to income Tax Act.

1207. Consequently, the management was in breach of the law.

Management responses

1208. We acknowledge the observation however at the time when these payments were made it did not occur to us they attract taxes. In our view we were paying as a refund for transport incurred by Board of Governors. In future we will now treat this as an allowance and affect the necessary charge.

Committee observation

1209. The Committee observes that Management was in breach of the law as the institution is required to facilitate the Board of Governors by reimbursing their transport expenses but not paying the amounts as an allowance.

Committee recommendation

1210. The Committee cites the accounting officer for incompetence and recommends that the Board of Governors be surcharged the total amount of Kshs. 303,900 to be paid within three months of the adoption of this report by the House.

17.1.9 Lack of segregation of duties on cash management

1211. A review of the Institutes accounting records in respect cash management revealed that the duties of maintaining cashbook and preparation of bank reconciliations were being handled by one person instead of segregating among other officers. No explanation was provided for the failure to segregate duties. Further, there was no evidence that the cash book was checked and balanced regularly. This is contrary to Regulation 23(1)(c) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer to maintain effective systems of internal control and measures taken to ensure that they are effective.

1212. In the circumstances, key processes and internal controls of the institute may be prone to risk of abuse or errors.

Management Responses

1213. During the period there were only two officers making it difficult to segregate duties. However, the matter was addressed by addition of two more officers and duties segregated as follows:

S/NO.	OFFICER NAME	ROLES
1	GEORGE ADERO	Reports

2	VICTOR MISOLO	Revenue Collection
3	AGNES ANYANGO	Reconciliation
4	CHRISTINE ATIENO	General Payables
5	ISABEL OLELA	Cashier

Committee Observation

1214. The Committee observes that the matter has been resolved as the institution had employed additional employees.

17.1.10 Lack of Audit Committee

1215. Section 73(5) of the Public Finance Management Act, 2012 provides that every National Government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. However, the institute did not have an Audit Committee in place to oversee governance and promote transparency in the management of public resources.

Management Responses

1216. The Institute had no Audit and Risk Committee however, the Internal Auditor was recruited and the committee constituted. The members include:

1. Benter Omondi – Chair (Board Member)
2. Fred Muchingi – Internal Auditor
3. Ivan Kelunyo – Board Member

Committee Observation

1217. The Committee observes that the matter has been resolved as the institution had employed an internal auditor and constituted an audit committee.

<u>Audited statements for Financial Year 2019/20</u>

17.1.11Cash and Cash Equivalents

1218. The statement of financial position as at 30 June 2020 reported cash and cash equivalent of Kshs 117,435,906 as disclosed in Note 14. However, the following anomalies were noted:

i. The certificates of bank balances for bank accounts provided for audit did not include the name of the Bank Officer confirming the bank balances casting doubt on the validity of the certificates.

ii. Board of survey report on a KCB bank account indicated bank balance at National while financial statement indicated the account is held at Kenya Commercial Bank.

1219. Consequently, the accuracy, validity and completeness of cash and cash equivalent of Kshs 117,435,906 as at 30 June 2022 could not be confirmed.

Management Responses

1220. Certificate of bank balances are standardized by the central bank to be used with signatures only without names of the Authorizing officers.

1221. This error was noted and amended

Committee Observation

1222. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1223. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.12Receivables Exchange Transactions

1224. The statement of financial position includes receivables from exchange transactions totalling to Kshs 12,805,437. However, receivables ledgers for students and staff were not provided for the audit review. Further, the Institute did not have in place a debt management policy and in turn, no provision for bad and doubtful debts was made in the financial statements.

1225. Consequently, the accuracy, completeness and collectability of receivables from exchange balance of Kshs 12,805,437 as at 30 June 2020 could not be confirmed.

Management responses

1226. Refer to the attachment for schedules. Policy on debt management was developed in the year 2022 and operationalized.

Committee Observation

1227. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1228. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.13 Inaccurate presentations of property, plant and equipment in the financial statements

1229. The Committee observes that this matter had been addressed in the previous financial year and reiterates its recommendation.

17.1.14Unsupported Additions to work-in- progress

1230. The statement of financial position reflects a balance of Kshs 1,680,193,141 as at 30 June 2020 in respect of property, plant and equipment which further includes work in progress of Kshs 63,308,578 as disclosed in Note 18 to the financial statement. However, the addition of Kshs 17,214,117 was not supported with documentary evidence. Further Note 4 on capital commitments reflected a balance of Kshs 37,616,893 in respect to the on-going projects which is at variance with the work in progress of Kshs 63,308,578 resulting to variance of Kshs 25,691,685.

1231. In the circumstances, the accuracy, validity and completeness of the work in progress of Kshs.63, 308,578 as at 30 June 2020 could not be confirmed.

Management response

1232. Refer to the attachments for the Additional work in progress schedules and supporting documents.

1233. Capital commitments represent funds committed for either ongoing or projects to be carried out in the next financial year while work in progress represents actual payments incurred on ongoing projects regardless of the financial year. The two are therefore different.

Committee Observation

1234. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1235. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.15 Unsupported Inventories Balance

1236. The statement of financial position statement as at 30 June 2020 reflects inventories of Kshs 507, 900.However, the closing stock report and stores ledgers did not indicate the quantity of items (Units) and their costs as at 30 June 2020.Further the inventories were not recorded in the stores' ledgers.

1237. In the circumstances, the accuracy, validity and completeness of the inventories of Kshs.507, 900 could not be confirmed as at 30 June 2020.

Management response

1238. This was amended and documentary evidence provided for your review.

Committee Observation

1239. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1240. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.16 Unsupported Deferred Income

1241. Statement of financial position and Note 22 to the financial statements reflects a balance of Kshs.51, 547,055 in respect of deferred income. However, explanation on the composition and documentary evidence in support of the deferred income was not provided for audit review.

1242. In the circumstances, the accuracy, validity and completeness of the deferred income of Kshs.51, 547,055 could not be confirmed as at 30 June 2020.

Management responses

1243. Deferred income represented funds received from the Government for the construction of mechanical engineering workshop and mentee Rachuonyo TVC. The accounts have nill balance since the projects were completed and the balances transferred to capital fund account.

1244. Rachuonyo TVC had been handed over and the accounts removed from our books since they are independent.Refer to the attachments for schedules and supporting documents

Committee Observation

1245. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1246. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.17 Non-Deduction of Retention Fees on Works

1247. The statement of financial position as at 30 June 2020 and Note 21 to the financial statements reflects Kshs.4, 816,511 in respect of refundable deposits. However, retention fee of 10% were not deducted in respect to work in progress valued at Kshs.63, 308,578 included in the plant, property and equipment figure of Kshs.1, 680,193,141.

1248. In the circumstances, the accuracy, validity and completeness of the refundable deposits of Kshs. 4,816,511 as at 30 June 2020 could not be confirmed.

Management response

1249. Refer to the attachment for control accounts and schedules. There is no single payment that was made without deduction of retention money.

Committee Observation

1250. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1251. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.18Unsupported Use of Goods and Services

1252. The statement of financial performance for the year ended 30 June 2020 reflects a balance of Kshs 55,199,488 in respect of use of goods and services. The balance further includes tuition expense of Kshs.5, 471,222 as disclosed in at Note 9 to the financial statements. However, the stores ledgers, payment vouchers and other supporting document of the goods received in store totalling to Kshs.1, 904,340 were not availed for audit review. This is contrary to Section 48(2) and 162(1) of the public procurement and Assets Disposal Act, 2015 which requires that, an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

1253. In the circumstances, the management was in breach of the law.

Management response

1254. Refer to the attachments for schedule of Kshs 1,904,340 and supporting documents provided for your review.

Committee Observation

1255. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1256. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.19Board of Governors Expenditure

1257. The statement of financial performance as at 30 June 2020and Note 11 to the financial statements reflects a figure Kshs.4, 311,778 as Board of Governors expenses for the year under review. However, the budgeted Board of Governors expenditure was Kshs.3, 600,000 resulting to an over-expenditure of Kshs.711, 778 as a result of several board meetings contrary to circular OP/CAB.9/1A dated 11 March 2020 on Board meetings which states that, the board meetings shall be restricted to a minimum of four (4) as provided in the State Corporations Act, 446 and capped at a maximum six (6) for each financial year.

1258. In the circumstances, the regularity of the extra cost of Kshs.711, 778 could not be confirmed for the year ended 30 June 2020.

Management response

1259. The Institute overspent on Board expenditure because of two reasons:

i. Back log of issues occasioned by lack of substantively appointed principal for one year.
ii. Students strike in 2019

Committee Observation

1260. The Committee observed that the expenditure was irregular

Committee Recommendations

1261. The Committee reprimands the Accounting Officer henceforth and recommends that they henceforth comply with the provisions of the State Corporations Act, 446 that capped BOG meetings at a maximum six (6) for each financial year.

17.1.20 Budgetary control and performance

1262. The statement of budget and actual amounts for the year under review reflects total budget receipts of Kshs.215,968,257 and actual receipts of Kshs.101,699,818 respectively resulting to underfunding of Kshs.114,268,439 or 53%. Similarly, the statement reflects total final budget figure of Kshs.215,968,257 and actual expenditure of Kshs.83,548,744 resulting to a budget under expenditure Kshs.132,419,551 or 61%.

1263. The overall under funding and under expenditure may have negatively impacted on the delivery of services to the Institute's stakeholders.

Management response

1264. Low budget performance is a result of reduction in capitation grants from the Government and low fee payments.

Committee observation

1265. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.

1266. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1267. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.

1268. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

17.1.21 Incomplete works at Rachuonyo Technical and Vocational Training

1269. The Ramogi Institute of Advanced Technology contracted a building &civil engineering limited company at a contract sum of Kshs.53, 188,200 on 7 October, 2015 for erection and completion of twin workshop, classroom, and office block. The works were expected to be completed in 52 weeks but has not been realized to date due to delay in funding. The amounts paid to the contractor during the previous years amounted to Kshs 49,730,218.

1270. Further, additions of amounting to Kshs.1,300,000 was paid during the year under review as per note 4 related party relationship's bringing the total payments to Kshs.51,030,218. The following unsatisfactory matters were noted during physical verification carried out on 16 February,2021.

i. Paint on the walls was not properly done and only one paint coat had been done.
ii. The bill of quantities had specified the floors to be done with terrazzo but instead red oxide was used yet no approved variations orders were availed for audit review to confirm the change of work. In addition, the bill of quantities had provided for construction of site office worth Kshs.200,000 complete with fittings but there was no evidence that this was done.
iii. There was no evidence that Riat Rachuonyo Technical Institute has been registered by the Ministry of Education.

1271. In the circumstances, it was not possible to establish whether the cumulative expenditure of Kshs.51, 030,218 was proper charge to public funds. Further, the management was in breach of procurement law.

Management response

i. The contractor applied three coats as per the BQ in the year 2019 and another two coats touch up paints before the project handing over in December 2020.

ii. Terrazzo flooring was to be used only in workshops,corridors,stairs and ramps being high traffic areas. The rest were to be coloured cement sand screed as per the BQS.

iii. Principal was posted to Rachuonyo TVC late 2020 by MOE. Certificate of practical completion was issued on 01/02/2021.The newly posted principal has started the process of registration now that the practical completion certificate had been issued.

Committee Observation

1272. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1273. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

17.1.22Unsupported Reduction of Deferred Income

1274. The statement of financial position and Note 21 to the financial statements reflect a comparative deferred income balance of Kshs.51,547,055 which has been reflected as nil balance in the financial year under review. However, the decrease of Kshs.51,547,055 has not been supported and the accounting treatment has not been disclosed.

1275. In the circumstances, the accuracy and completeness of deferred income could not be confirmed.

Management Response

1276. Deferred income was funds received from the Government for the construction of mechanical engineering workshop and Rachuonyo TVC. The accounts have nill balance since the projects were completed and the balances transferred to capital fund account. Rachuonyo TVC had since been handed over and the accounts removed from our books since they are independent.

1277. Please refer to the attachment for schedules and supporting documents.

Committee Observation

1278. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1279. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.23Unsupported Transfer of Retained Earnings

1280. The statement of changes in net assets reflects a transfer of Kshs.40,175,165 from retained earnings to capital fund account. However, the transfer which was utilized in the construction of ladies' hostels was not supported with documentation detailing how the amount was determined and approved.

1281. Under the circumstances the accuracy and completeness of the retained earnings and capital fund could not be confirmed.

Management Response

1282. The board authorized construction of new ladies' hostel at a total cost of Kshs 43,088,853 from retained earnings. However, at the time of reporting Kshs 40,175,165 had been paid with the balance of Kshs 2,913,688 withheld as retention money. Board minutes provided for review.

Committee Observation

1283. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1284. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

17.1.24 Budgetary Control and Performance

1285. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendations.

17.1.25 Prior Year Matters

1286. The prior year audit matters had been addressed by The Committee

17.1.26 Non-Compliance with Law on Ethnic Composition

1287. During the year under review, the total number of employees of the institute was ninety-five (95) out of which forty-six (46) or 49% of the total number were members of the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community".

1288. In the circumstances, Management was in breach of the law.

Management Response

1289. These employees were inherited from the former management. However, strategies have been put in place to ensure equitable representation for all tribes whenever there is a vacancy.

Committee Observation

1290. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232 (1) (h) and (I)(ii) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1291. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

18.0 MASENO UNIVERSITY

1292. Prof. Julius Nyabundi, Vice Chancellor, accompanied by;

i.) Prof. Catherine Muhoma- Deputy VC, Administration

ii.) Prof. Joseph Chacha- Deputy VC- Partnership Research and Innovation

Appeared before The Committee to adduce evidence on the audited accounts of Maseno University, on 15th August 2023.

Audited statements for Financial Year 2018/19

18.1.1 Unsupported adjustments to Account balances

1293. The Financial Statements reflect several accounts with adjusted balances, as indicated in Appendix I. However, no journal entries or other accountable documents were provided to explain the adjustments. As a result, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

1294. The adjustments were made to correct issues that were identified during the audit. The Journal entries are available for review.

Committee Observation

1295. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1296. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.2 Unreconciled Tuition Income;

1297. The Statement of Financial Performance reflects tuition fees revenue totaling Kshs.994, 070,799, as analyzed in Note 7 to the financial statements. The balance includes tuition fees totaling Kshs.261, 050,843 and Kshs.446, 231,404 receivable at Kisumu Town Campus and the Main Campus respectively. However, Management did not provide records to reconcile the receivable fees to the student enrollment records.

1298. Consequently, the accuracy and completeness of the reported tuition income totaling Kshs.994, 070,799 reflected in the statement of financial performance could not be confirmed.

Management Response

1299. The University has since automated student registration where nominal rolls are signed on-line upon payment of fees. The electronic register is available for review.

1300. Currently the student population can be ascertained at any given time and are reconciled with fees accrued.

Committee Observation

1301. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1302. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.3 Unreconciled University Enterprise Expenses

1303. The Statement of financial performance reflects University enterprises expenses totaling Kshs.68, 747,816, as analyzed in Note 15 to the financial statements. The balance includes expenditure on food purchases totaling Kshs.19, 321,570 reportedly incurred at the University's Kisumu Hotel. However, the balance differs with the item's ledger balance totaling Kshs.34, 153,160 resulting in unexplained difference of Kshs.14, 831,590.

1304. As a result, the accuracy and validity of the reported food costs totaling Kshs.19, 321,570 could not be confirmed.

Management response

1305. A reconciliation of the food purchases ledger was carried out and the schedule of Kshs.19, 321,570 is available for review. The Kshs. 14,831,590 relates to goods which had not been delivered.

Committee Observation

1306. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1307. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.4 Misstated Impairment Loss

1308. Note 19 to the Financial Statements reflects an impairment loss of Kshs.11,649,992 being 5% of the trade debtors a balance totaling Kshs.232,999,838 as at 30 June, 2019. The provision for the previous year amounted to Kshs.9, 999,590. However, the statement of financial performance incorrectly reflects the closing balance for the provision totaling Kshs.11, 649,992 instead of the increase in the balance amounting to Kshs.1.650.402 in the year under review. As a result, the deficit totaling Kshs.507, 119,137 reported in the financial statements is overstated by Kshs.9, 999,590.

1309. Consequently, the accuracy and validity of the reported debtors balance totaling Kshs.221, 349,846 as at 30 June 2019 could not be confirmed.

1310. In addition, the Cumulative impairment loss on student debtors totaling Kshs.355,548,827 as at 30 June, 2019 reflected in Note 21(i) to the financial statements exceeds the total student debtors balance amounting to Kshs,168,135,858 reflected in the Note suggesting that Management have not been effective in collecting tuition fees from students.

Management Response

1311. This was an error of principle which had been noted and rectified in the Financial 2021/2022

Committee Observation

1312. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1313. The Committee cites the Finance officer for incompetence and recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(k) of the PFM Act 2012 and Section 21 of the Public Audit Act, by providing supportive documentation on time.

18.1.5 Unexplained Loss of Food Stocks

1314. Note 8 to the financial statements reflects Income Generating Activities (IGA) – tent food sales totaling Kshs.1,613,270 whereas Note 14 on operational expenses reflects IGA-tent food purchase costs totaling Kshs.37,452,720 resulting in a net deficit of Kshs.32,839,450. Records to explain how the purchased foods were consumed were not provided for audit and further there was no explanation why the sales were below the purchase costs. In the circumstance, the accuracy of the reported IGA tent food sales totaling Kshs.1, 613,270 reported in the year under review could not be confirmed.

Management Response

1315. The Ksh. 37,452,720 relates to food costs in all the eateries in the University. The total revenue from these eateries amounted to Ksh.14, 558,880. The net deficit of Ksh. 22,893,840 came as a result of the food subsidies at the student cafeterias.

Committee Observation

1316. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1317. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.6 Lack of Provision for Long Outstanding Rental Income

1318. Note 8 to the financial statements reflects Varsity Plaza rental income for the year under review totaling Kshs.15, 152,434. However, uncollected rental income at the Plaza totaled Kshs.17, 824,444 as at 30 June, 2019 as indicated in Note 21(i) to the financial statements. Therefore, the University's rental properties may not have been managed in an effective way. In addition, no provision for bad and doubtful debts was made in spite of the increase in rental debtors by Kshs.9, 008,943 from Kshs.8, 815,501 at the end of the previous financial year.

1319. In view of these issues, the valuation and recoverability of rental debtors totaling Kshs.17, 824,444 as at 30 June, 2019 could not be confirmed.

Management Response

1320. The University has made consorted efforts to reduce the Rental Debtors. In 2020 and 2021, the Rental debtors reduced to Ksh. 9,554,513 andKsh. 8,809,190 respectively.

1321. The University has been providing for all its Trade debtors which includes rent debtors.

Committee Observation

1322. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1323. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.7 Discrepancies in Cash and Cash Equivalents Balance

1324. The Statement of financial position as at 30 June 2019 reflects cash and cash equivalents balance totaling Kshs.276, 269,554 as further disclosed in Note 32 to the financial statements. However, two bank balances reflected in the note differ with the respective amounts reflected in the reconciled cashbook balance as indicated below;

Bank Account	Cashbook Balance As at 30 June 2019 (Kshs)	Financial Statement Balance 30 June 2019 (Kshs)	Variance (Kshs.)
KCB Capital Development A/C 1108378056	4,399,368	2,925,968	1,473,400
KCB SGS Bank/IRPS A/C 1107735971	34,273,043	32,986,175	1,286,868
KCB IGA S/A A/C 1108378226	2,642,315	4,568,889	(1,926,574)

1325. In addition, the balance totaling Kshs.276,269,554 reflected in the statement of financial position and note 32 to the financial statements includes a fee collection (KCB) account balance totaling Kshs.6,315,334 which however, differs by Kshs.4,812,217 with the balance amounting to Kshs.11,136,551 reflected in the cashbook in respect to the account

1326. Further, bank reconciliation statements for eighteen (18) bank accounts with balances totaling Kshs.108, 292,123 as at 30 June, 2019, as reflected in the respective bank confirmation certificates, were not presented for audit.

1327. In view of these discrepancies, the accuracy of the cash and cash equivalents balance totaling Kshs.276, 269,554 as at 30 June, 2019 could not be confirmed.

Management Response

1328. The differences in the identified bank accounts arose from adjustments done to the Cashbooks as a result of issues that were identified during the audit.

1329. The recorded Cashbook balance for fee account was Kshs. 6,315,334 which is available for review

1330. All bank accounts have been reconciled in subsequent years hence they are no longer audit issues.

Committee Observation

1331. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1332. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.8 Omitted Retentions

1333. Include in the Payables balance totaling Kshs.513, 616,289 reflected in the statement of financial position and analyzed in Note 26 to the financial statements are retention moneys on construction contracts totaling Kshs.56, 815,157. However, records examined indicated that a sum of Kshs.1, 413,634 retained under contract for installation of security equipment (CCTVs) was omitted from the retentions balance.

1334. Consequently, the accuracy and validity of the payables balance totaling Kshs.513, 616,289 could not be confirmed.

Management Response

1335. In the Final submission, the corrections were done and the figure Kshs. 1,413,634 was included in the Ksh 56,815,157. As per the attached schedule

Committee Observation

1336. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1337. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.9 Misstatement of Capital Work in Progress

1338. Included in Note 23 to the financial statements is a transfer from work-in-progress amounting to Kshs.9, 600,000 representing the cost of an elevator (lift) installed in the administration and library buildings. However, the two buildings were included in capital work-in-progress (CWIP) at Kshs.106, 265,147 and Kshs.372, 071,612 respectively as at 30 June, 2019. No satisfactory explanation was provided why the cost of the lifts was excluded from work-in-progress balance as at 30 June, 2019 even though the building it was installed in had not been completed. In addition, the capital work-in-progress transfer amounting to Kshs.9, 600,000 did not have a corresponding entry in the assets movement schedule.

1339. In the circumstance, the accuracy of the reported capital work-in-progress balance totaling Kshs.856,220,039 reflected in Note 23 to the financial statements and the property, plant and equipment balance totaling Kshs.2,610,086,001 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

1340. The installation of the Lifts was sub-contracted to another firm and upon satisfactory execution of their contract the cost was apportioned to the Work-In-Progress of the Library and the administration buildings which were yet to be completed. In this way the cost of the lift forms part of the cost of the completed building.

1341. This transfer was within Work-In-Progress and therefore does not appear on the asset movement schedule.

Committee Observation

1342. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1343. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.10Long Outstanding Receivables

1344. Included in Note 21(i) to the financial statements is an advance payment amounting to Kshs.20,772,325 made to Tom Mboya University and Kshs.51,799,015 receivable from an entity denoted as CBA 2010/13 (IPUCEF). Both amounts had been outstanding for three years as at 30 June, 2019 and although their recovery appeared doubtful, no doubtful debts provision was made in the financial statements.

1345. Consequently, the accuracy, valuation and recoverability of the sum of Kshs.72, 571,340 due from the two entities could not be confirmed.

Management Response

1346. The Ksh. 20,772,325 owed by Tom Mboya University has been fully settled. The Kshs. 51,799,015 for CBA 2010/13(IPUCCF).

Committee Observation

1347. The Committee observes that state department had the responsibility of ensuring the Kshs51,799,015 for CBA 2010/13 (IPUCCF) is settled.

Committee Recommendations

1348. The Principal Secretary in charge of the State Department for Higher Education and Research to ensure that CBA 2010/13 (IPUCCF) is implemented within 3 months after the adoption of this report by the House

18.1.11 Unsupported Variations on Project Costs

1349. The capital work-in-progress balance totaling Kshs.856,220,039 as at 30 June, 2019 reflected in Note 23(i) included administration block and library building construction costs totaling Kshs.106,265,147 and Kshs.372,071,612 respectively as at 30 June, 2019. However, the contracted sums for the two projects were Kshs.89, 900,245 and Kshs.174, 099,320 respectively and therefore the costs incurred had surpassed the contract sums by Kshs.16, 364,902 and Kshs.197, 972,292 respectively. Management did not provide any documentation to explain the cost overruns incurred on the two projects.

1350. Further, the capital work-in-progress balance includes Kshs.9, 233,804 being the contract sum for a completed perimeter wall contract. The balance should therefore not have been accounted for under work-in-progress.

1351. In view of these issues, expenditure totaling Kshs.487, 570,563 included in the capital work-in-progress balance totaling Kshs.856, 220,039 as at 30 June, 2019 could not be confirmed.

Management Response

1352. The variation for administration block was done. The documents to support the variations are available for audit review.

1353. The library building contract was not varied. The initial contract was a labor only contract to MS BUBBLE ENGINERING COMPANY LTD which was terminated because of non-performance.

1354. The University then entered into another contract with ELDO-ROTSA CONSTRUCTION COMPANY LIMITED at a cost of Kshs.174, 099,320. The total cost of the works done in the Library by the two contractors hence amounted to Kshs.372, 071,612 at the time of audit. The two contracts are attached.

1355. The perimeter wall was still retained in work-in-progress because the perimeter wall was a phased project.

Committee Observation

1356. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified the documents provided.

Committee Recommendations

1357. The Committee reprimands the Accounting Officer and recommends that they must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.12 Budget Under-Performance

1358. Included in the statement of comparison of budget and actual amounts is budgeted revenue totaling Kshs.2,826,750,818 against actual receipts totaling Kshs.2,828,425,422 resulting in a revenue shortfall of Kshs.1,674,604. In the year under review, the University spent Kshs.3, 323,894,568 out of the budgeted sum of Kshs.3, 673,005,089 resulting in under-expenditure of Kshs.349, 110,52.

1359. As a result of the large under-expenditure balance, several of the service delivery and development targets were not attained.

Management Response

1360. The reported revenue shortfall is within admissible range of below 10%. As a result of the depressed revenue the University had to put in place cost containment strategies that resulted in expenditure of Ksh.3, 323,894,568 instead of 3,673,005,089.

Committee Observation

1361. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

18.1.13Sustainability of Services

1362. Analysis of the statement of net assets indicated that the University had an accumulated surplus of Kshs.495, 352,807 as at 1 July, 2018 which was utilized to offset the deficit for the year under review amounting to Kshs.507, 119,137. As a result, the accumulated deficit totaled Kshs.11, 766,331 as at 30 June, 2019. Management has not disclosed the measures they intend to take to reverse the unfavorable performance.

Management Response

1363. The accumulated deficit of Ksh. 11,766,331 is as a result of implementation of the 2013/17 CBA which was implemented in 2017/2018 without the requisite support from the exchequer.

Committee observation

1364. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.

1365. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1366. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.

1367. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

18.1.14 Prior Year Audit Issues

1368. Section 101(4) of the Public Finance Management Regulations requires the Accounting Officer to prepare financial statements in a form that complies with the accounting standards and format prescribed by the Public Sector Accounting Standards Board. However, the financial statements do not include a report on how management has acted on prior-year audit issues. Therefore, the financial statements do not comply with the applicable financial reporting framework.

Management Response

1369. This omission was noted and has been amended in subsequent periods 2020/21 going forward.

Committee Observation

1370. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

18.1.15 Unutilized Borrowed Funds

1371. The statement of finance position reflects a bank loan amounting to Kshs. 100,400,000 that was borrowed during the year under review. The financial statements, however, indicate that the University was holding a cash balance totaling of Kshs. 356,022,663 at the beginning and Kshs. 276,269,554 at the end of the year under review. The balances included a fixed deposit amounting to Kshs. 50, 0000,000. The loan that resulted in interest expense amounting to Kshs. 11.055,058 may, therefore, have been incurred needlessly.

1372. Further, information available indicated that the loan was to fund the construction of a students' hostel. However, there were no records for such expenditure, or construction of hostels at the University, in the year under review.

1373. Consequently, the propriety of the borrowing amounting to Kshs. 100,400,000 and expense due totaling Kshs. 11,055,058 could not be confirmed. Further, in the absence of records on construction of any hostel, there is risk of the proceeds of the loan not being put to their intended use.

Management Response

1374. Kshs. 276,269,554 held in the University were meant for the operational activities of the University such as Research funds and payroll cost.

1375. In the year under review Kshs. 140,778,820 was spent on the construction of Tuition Block as captured in the work-in-progress in the Financial Statement on Tuition Block and Laboratories complex

Committee Observation

1376. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1377. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.16Failure to Comply with the Procurement Act

1378. Expenditure records indicated that a sum of Kshs. 1,824,500 was paid to a food supplier for the delivery of perishable foodstuffs. However, contrary to Section 106 (5) of the Public Procurement and Asset Disposal Act, 2015, the supplier was not among the list of prequalified suppliers. Therefore, Management was in breach of the law.

Management Response

1379. The food stuff in question was supplied by Joel Otieno Otieno who was prequalified in the continuous registration of suppliers as per sec.71 of the Public Procurement and Asset Disposal Act 2015.

1380. The Supplier was Prequalified and the list is hereby attached.

Committee Observation

1381. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1382. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.17Procurement of Computers and Other Office Equipment

1383. Examination of expenditure records further indicated that computers and other assorted information technology equipment costing Kshs. 21,537,920 in aggregate were bought from various suppliers by use of Request for Quotations. However, the respective purchase costs were in excess of the Kshs. 5 million threshhold for use of Request for Quotations set in Public Procurement Regulations. Therefore, Management bought the equipment in breach of the law.

Management Response

1384. There was no single line item for computers and accessories procured, amounting to Kshs. 5 million and above.

1385. The amount of Ksh. 21,537,920 represents all additional plant and equipment that includes assorted ICT equipment and computers. There procurement was delivered during the year and done at different times. The schedule of additions to plant and equipment for 2019 are as per the attached.

Committee Observation

1386. The Committee observes that the procurement officer contravened the public procurement regulations

Committee Recommendations

1387. The Committee cites the procurement officer for incompetence and further cites the Accounting Officer for negligence and recommends that they henceforth comply with Public Procurement Regulations.

18.1.18 Stalled Projects

1388. Examination of records on infrastructure projects indicated that during the year under review, no works were implemented in respect of the two ongoing projects, namely; the sewerage project and access road maintenance project which had stalled in 2016/2017 financial year. As a result, there is risk that services expected to be provided by the projects and value for money on the sum of Kshs. 52,300,321 spent on the executed works, may not be realized.

Management Response

1389. This project was completed and we are in the process of getting certificate of completion.

Committee Observation

1390. The Committee observes that the matter had been resolved as the project is now complete

18.1.19 Incomplete Implementation of Enterprise Management System

1391. Audit review of the University's Enterprise Resource Planning software indicated that it was not interfaced with operations of the main campus at Maseno, Kisumu Campus and various income generating points such as Kisumu Hotel and the University's Farm as envisaged in the University's Information Communication Technology (ICT) policy manual. Consequently, the system has not enabled proper coordination of revenue collection and other operations and therefore value for money on its purchase may not have been attained.

Management Response

1392. The MIS was upgraded to Microsoft Dynamics Business central 2019 which has integrated all University Operations.

1393. The upgrade was done in July 2019 and addresses the shortcomings of the old system that was audited.

Committee Observation

1394. The Committee observes that the matter had been resolved as the two modules are now integrated.

<u>Audited statements for Financial Year 2019/20</u>

18.1.20 Unsupported Cash and Cash Equivalents

1395. The statements of financial position as at 30 June, 2020, and note 23 to the financial statements reflects cash and cash equivalents balance of Kshs. 301,712,753. However, the cash and cash equivalents balance was not supported by board of survey reports hence casting doubt on the accuracy and completeness of the reported balance of Kshs. 301,712.753.

1396. Further, the cash and cash equivalents ledger balance of Kshs. 369,651,500 had been adjusted to Kshs.301, 712,753 resulting in unexplained variances of Kshs. 67,938,747, which was not supported with any documentary evidence such as journal entries. Consequently, the validity and accuracy of the cash and cash equivalents balance of Kshs. 301,712,753 for the year ended 30 June, 2020 could not be confirmed

Management response

1397. The University has been doing Board of Survey for Cash at hand and inventories. We have been relying on bank confirmations for bank balances. Subsequently we have carried out board of surveys for all bank balances and the issue has not been raised in later audits.

1398. The Variance of Kshs.67, 938,747 is as a result of adoption of cashbook balances as opposed to bank statement balances after the reconciliation of Equity Fee Collection Account, Main Current Account. Initially we reported the bank balance

	Kshs.
Adopting of Equity Cashbook balance	5,052,316
Reporting of the Cashbook balance after restating unpresented cheques	13,065,489
Reporting call deposit which had been retired during the year.	49,820,942

	67,938,747

Committee Observation

1399. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1400. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.21 Unconfirmed Student Debtors

1401. Included in the student debtors figure of Kshs. 191,138,890 at Note 24 to the financial statements is an amount of Kshs. 3, 652,815 for a total of 129 student debtors whose names appeared on the ledger more than once and had more than one registration number. No explanation was provided for the anomaly.
1402. Consequently, the accuracy and validity of the student debtors of Kshs. 191,138,890 as at 30 June, 2020 could not be confirmed.

Management response

1403. The students with more than one registration numbers are those that changed courses after being admitted in the University. Their initial registration numbers are kept for the purpose of tracking HELB loans since these are the numbers held by HELB.
1404. The upgraded Management information system (MIS) has addressed the multiple registration by deactivating the students who have changed courses mid-stream.

Committee Observation

1405. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1406. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.22 Unsupported Research Expenses

1407. The statement of financial performance reflects operating expenses of Kshs. 363,493,612 which includes Kshs. 68,235,212 for research program which further includes an amount of Kshs. 8,084,483 paid as research funds to a consultant from Kisumu County Government. The consultancy was for research costs planning, survey and titling project of Kshs. 7,276,034 with balance of Kshs. 808,448 being administrative costs. However, it was not clear how consultant was identified since the University did not provide the procurement method used to offer the service.

1408. Under the circumstances, Management is in breach of the law and the propriety of the expenditure of Kshs. 8,084,483 for consultancy fee for the period ended 30 June, 2020 could not be confirmed.

Management response

1409. Maseno University has a Memorandum of Understanding with the County Government of Kisumu. The MoU highlights several areas of collaborations which are conducting consultancies, joint research projects and studios on issues of mutual interest, preparation of strategic and advisory plans, planning of small and medium sized towns within the scope of capacity building.

1410. Arising from the MoU; Maseno University School of Planning and Architecture was identified to undertake this work on behalf of the University, with the Dean of the School (Dr. Moses Kola) being the lead consultant.

Committee Observation

1411. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1412. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.23Presentation of the Financial Statements

1413. The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 did not include reasons for the material over/under collections of revenues and expenditure items as is required by the latest revised template for the regulatory and other Non-Commercial Government owned entities issued by the National Treasury while preparing the financial statements for the year ended 30 June, 2020.

1414. Consequently, Management was in breach of the IPSAS and the prescribed PSASB template.

Management response

1415. The differences of more than 10% in the statement of comparison of budget and actual have been explained in the financial statement that was submitted to the auditors. (Page 6)

Committee Observation

1416. The Committee observes that the matter had been resolved as the University had complied in subsequent years.

Committee Recommendations

1417. The Committee recommends that management henceforth prepares financial statements in conformity with the IPSAS and the prescribed PSASB template.

18.1.24 Budgetary Control and Performance

1418. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.25 Non adherence to Procurement Regulations

1419. During the year under review, the University invited prequalified suppliers under the restricted tender for supply and delivery of computers, printers, and scanners category to be reserved for special groups. However, the following unsatisfactory matters were observed :-

1420. According to the statement of professional opinion, a total of thirteen (13) firms were invited to bid while a report of the evaluation committee indicated that only five (5) firms were invited and submitted their bids as follows:

Bidder Name	Amount	Remarks
Firm 1	5,200,000	Price was not the lowest

Firm 2	4,400,000	No Access to Government Procurement Opportunities (AGPO) certificate
Firm 3	3,500,000	Speed of card submitted was below the requested speed
Firm 4	4,200,000	No evidence of ICT certificate in Infrastructure
Firm 5	3,300,000	No evidence of ICT certificate in infrastructure

1421. It was not clear how firm 2, firm 4 and firm 5 were in the entity's database under this category of prequalified suppliers and yet they lacked some of the mandatory requirements needed under the category.

1422. In addition, firm 5 quoted the least price of Kshs. 3,300,000 yet another firm not listed in the table above was awarded the contract at a sum of Kshs. 3, 840,000 which was higher by Kshs. 540,000 compared to the amount quoted by firm 5.

1423. In the circumstances, the University breached the law and no value for money was received.

Management response

1424. The procurement was for the supply and delivery of RFID card 13g hz for the ICT department. The University invited 13 bids from the firms in the special group and only six firms responded. List attached.

1425. During the evaluation process the committee confirms the mandatory requirements despite having the bidders in our prequalified database. This is because some of the requirements like subscription to different bodies eg AGPO have a defined period of validity and therefore subject to renewal every two years. This is why firm 2, firm 4 and firm 5 were non-responsive despite being in our data base since we could not determine the status of the certificates.

1426. The tender was then awarded to lowest evaluated responsive bidder which was EIGEN GENERAL ENTERPRISE LIMITED.

Committee Observation

1427. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1428. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.26 Delay in Project Completion

1429. The University entered into contract agreement with a firm on 15 July 2019 for upgrade of Microsoft Navision for a contract sum of Kshs. 37,992,100. However, the following unsatisfactory issues were noted:-

i. The contract period was seven (7) weeks from the date of signing (15 July 2019). However, during the time of audit in January 2021, the project was not yet complete and no authority for extension was provided for audit scrutiny.

ii. The University paid the cost of license fee to the company of Kshs. 12,082,560 on 11 September 2019. However, information available indicates that the license information for the old ERP created 31 July 2018 was to expire on 29 May 2021. It was not clear how the amount was arrived at and why the University had to pay for the new license yet the license for the currently implemented ERP had not expired.

iii. The contract agreement indicated a contract sum of Kshs. 37,992,100. However, it was not clear how the amount was determined since documents such as technical specifications were not provided for review

iv. The contractor had been paid Kshs. 10,363,815 being in respect to submission and approval of a functional system yet the status report as at the month of January 2021 indicated that some modules had not been completed such as transport/fleet management, farm management, research management library integration among others

v. ICT project implementation requires that ICT Authority Officers be part of the implementation and take up the role of project management for successful completion of the project as per the ICTA standards. However, there was no indication that the ICT Authority Officers were involved in the project implementation.

vi. The bond security from an insurance firm of Kshs. 800,000 for a period of 150 days (4 months) from June 4, 2019 signed on 31 May 2019 had expired and the work was not complete and the contractor was on site.

1430. Consequently, the University failed to achieve value for money in the upgrade of Microsoft Navision (ERP) project.

Management response

1431. The contract period was 17 weeks as the attached contract. The implementation started in 11th September 2019 when the University paid for the License. The slight delay in 2020 was however caused by Covid- 19 pandemic which interfered with all the upgrade processes since all the resource persons were based in Nairobi which was under lock-down from April to June 2020.

i. The ERP license used in the old system did not belong to the University.
ii. The University procured a new ERP which required its own license.
iii. The specifications are contained in the tender document.
iv. The payment was made based on work done as per the contract. Implementation percentage report attached
v. Eng. David Wasonga- (EBK-B11204) from the ICT Authority was appointed as project Manager and has been involved in Project Implementation Committee meetings. The appointment letter attached.

Committee Observation

1432. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1433. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.27 Staff Ethnic Composition

1434. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.28 Staff on Contract Employments

1435. Records of Kisumu Hotel, a unit of the University, staff establishment records revealed that some employees are either being engaged on renewable contract terms or as casual for longer periods which are longer than the required period by Section 39 of the Employment Act of 2007 (Revised 2012). Some of the employees have been in service of the hotel since 2004 and have not been employed on permanent basis. Consequently, the University was in breach of the law.

Management response

1436. The Section 39 of the Employment Act of 2007 does not provide timelines for Contract engagement but extension of contract.

1437. Equally, the University HR Manual Article 3.3 details categories of contract of service which include Contract and other appointments.

1438. The other causal staff in the Hotel were converted to a self-defined Term Contract.

Committee Observation

1439. The Committee observes that the matter had been resolved as the casual employees had been converted to term contract employees.

Committee Recommendations

1440. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 39 of the Employment Act of 2007

18.1.29 Non-conformity to a Third of Basic Pay Rule Policy:

1441. The June 2020 payroll statistics revealed instances where one hundred and forty-one (141) officers were earning net salaries which are below one-third of the basic salary. This is contrary to Section 19 (3) of the Employment Act of 2007. Consequently, the University was in breach of the law.

Management response

1442. The University has negotiated extension of loan payment terms with various schemes and banks and also ensured strict background checks are done prior to loan approval. In the month of June, 2023 the University has reduced the total number of staff affected by a third rule from 141 to 28 employees.

Committee Observation

1443. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1444. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section19 (3) of the Employment Act of 2007

18.1.30 Non-compliance with Government Circulars:

1445. The financial statements submitted on 30 September 2020 indicated that the University had investments in call deposits of Kshs. 50,000,000 which were placed in commercial banks contrary to the National Treasury Circular No. 4/2017, Ref: DG

1446. IPE/P/100 dated May 2, 2017 and the Ministry of Education, State Department for University Education Circular Ref: MST/11/9(32) dated July 3, 2017 which directed "All State Corporations to invest surplus in Treasury Bills/bonds directly through the Central Bank of Kenya without intermediaries and that all maturing investments of surplus funds in fixed deposits in commercial banks/financial institutions should not be rolled over but retired and invested in Treasury bills/bonds."

1447. The University, therefore, breached the government circulars.

Management response

1448. The funds that were in the call deposit account of Kshs. 50,000,000 on 24th march 2020 were temporarily held there for the payments of part of salaries for the month of April 2020. If the funds were used to buy the treasury bills which mature after 90 days, the University would have defaulted in the payments of salaries in time.

Committee observation

1449. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

18.1.31Lack of ICT Data Recovery Plan

1450. During the year under review, a scrutiny of the University Information Security Management Policy Document revealed that the University has no cloud back up but uses portable hard drive which is prone to bugs that can corrupt the system and does not guarantee full recovery of data.

1451. Consequently, the integrity of the IT infrastructure and the IT assets of the University is compromised and data may not be recovered in the event of a disaster.

Management response

1452. The University has enhanced IT security by upgrading Navision 2009 software to Navision 2019. The University has procured a cloud data back-up and which has been installed and the implementation process is on-going which 90% complete.

Committee Observation

1453. The Committee observes that the matter had been resolved as the university now has an ICT policy in place with an embedded data recovery plan.

18.1.32Lack of Annual Environmental Audit Report

1454. The University did not carry out any follow up on past environmental impact assessment reports. Further, there was no annual environmental audit undertaken during the year as required by part V Section 34 (1) of the Environmental (Impact Assessment Audit) Regulations, 2003. No explanation was provided for this anomaly.

1455. Consequently, the University is in breach of the law.

Management response

1456. The University undertakes Environmental impact assessment for all construction projects before they are undertaken. The environmental audit report for 2023 has been attached.

Committee Observation

1457. The Committee observes that the matter had been resolved as the university now has an ICT policy in place with an embedded data recovery plan.

<u>Audited statements for Financial Year 2020/21</u>

18.1.33 Long Outstanding Receivables from Exchange Transactions

1458. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.34Inaccuracies in Student Debtors

1459. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.35Inaccuracies in Prepaid University Fees

1460. The statement of financial position and as disclosed in Note 30 to the financial statements reflects refundable deposits from customers' balance of Kshs. 64,968,735 which includes university fees prepaid balance of Kshs. 49,525,425. However, recalculation of the balance based on the invoices and receipts extracted from the billing and invoicing system reflected a balance of Kshs. 100,261,492 resulting to unexplained variance of Kshs. 50,736,067. Further 2098 student creditors had understated balances totaling Kshs. 15,401,812 while 6540 student creditors with prepaid balances totaling 77,340,156 could not be traced in the schedules supporting financial statements.

1461. In the circumstances, the accuracy and completeness of the prepaid university fees balance of Kshs. 49,525,425 could not be confirmed.

Management response

1462. The student prepayments have adjusted the figure based on the semester dates which overlapped to the Financial year 2022. The recalculated amounts done by the auditor's to arrive at Kshs. 100,261,492 did not factor in the cut point dates resulting from the overlapping semester.

1463. The prepaid fees amount is of Kshs.49,425,425 reported in the financial statements were generated from the system as at 30th June 2021 and which factored the opening balances as at 1st July 2020, total invoices for the period and total receipts during the year.

Committee Observation

1464. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

1465. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.36 Inaccuracies in the statement of Comparison of Budget

1466. The statement of comparison of budget and actual amounts reflects final revenue and expenditure of Kshs. 3,311,996,000 and Kshs. 3,637,145,000 respectively. However, the approved budget provided for audit reflected final revenue and expenditure budget of Kshs. 3,078,883,875 and Kshs. 2,980,058,875 respectively, resulting to unexplained variances of Kshs. 233,112,125 and Kshs. 657,086,125 respectively.

1467. In the circumstances, the accuracy of the statements of comparison of the budget and actual amounts could not be confirmed.

Management response

1468. The University prepared the annual Budget for FY 2020/2021 and submitted to the State Department for University Education and Research for approval. The approval was granted. The University used the approved budget from the ministry page 10 and 14.

Committee Observation

1469. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

1470. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.37 Unsupported Employees Costs

1471. The statement of financial performance and as disclosed in Note 14 to the financial statements reflects employee costs amounting to Kshs. 2,172,394,925 which includes Kshs. 23,002,731 in respect of non-practicing allowances which were paid to 43 university health workers at the rate of Kshs. 40000 per month as reflected n the University's payroll. However, the authority to pay this allowance cited by the University is SRC circular Ref No. SRC/TS/CGOVT/3/61 VOL III/(136) dated 14 September 2015 addressed to County Government medical personnel and not medical personnel in National Government or State Corporations.

1472. Further analysis of the payroll data provided for audit revealed that two hundred and six (206) employees were deducted less PAYE totaling Kshs. 3,800,786.

1473. In the circumstances, the accuracy, completeness and regularity of non-practicing allowance amounting to Kshs. 23,002,731 and PAYE deductions amounting to Kshs. 3,800,786 could not be confirmed.

Management response

1474. A Copy of KMPDU CBA, a Practicing License for the Doctors and SRC Circular. Schedule of Staff paying AVC were provided.

Committee Observation

1475. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

1476. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.38 Budgetary Control and Performance

1477. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.39 Non-compliance with Law on Ethnic Composition

1478. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.40Late Remittance of Statutory Deductions

1479. Review of financial records revealed that the University made late remittance in relation to PAYE and NSSF of Kshs. 174,113,509 and Kshs. 2,968,300 respectively. This is contrary to Section 19(4) of the Employment Act, 2007 which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law. Late remittances may also lead to additional expenditure on penalties.

1480. In circumstances, Management was in breach of law.

Management response

1481. The University uses recurrent Government capitation to settle statutory deduction. Delay was due to late receipt of capitation from the National Government. In May 2021 for PAYE, the capitation grant was received on 16th June 2021.

1482. In the case of NSSF, the due date for NSSF was 15th of every month and this was changed to 9th of every month from 31st March 2021. In addition, we have been taking the cheque to the NSSF branch office within the required time as per the attached acknowledgments. The banking of the cheque is not within our control.

1483. All the NHIF was paid before the due dates of 9th of the following month.

Committee Observation

1781.The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

1782.The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

18.1.41 Lack of Segregation of Duties

1484. Review of the staff establishment records revealed that there was only one employee in charge of payroll who was able to create, edit and delete information in the payroll which indicates that the payroll section has no segregation of duties. This is contrary to Regulation 23(1)(c) of Public Finance Management (National Government) Regulations, 2015 which states that an accounting officer is accountable to the National Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

1485. In the circumstances, the effectiveness of internal controls regarding the payroll could not be ascertained.

Management response

1486. The University has a total of four (4) staff who have been assigned different roles in the payroll as a mean of segregation of duties.

1487. Each staff is responsible for inputting, review, verification, approval and reconciliation of the payroll.

Committee Observation

1488. The Committee observes that the matter has since resolved as the University had employed additional employees to manage the payroll

Committee recommendations

1489. The Committee reprimands the Accounting Officer and cites him for incompetence. The Committee further recommends that the Accounting Officer complies with Regulation 23(1)(c) of Public Finance Management (National Government) Regulations, 2015 by ensuring that effective systems of internal control are maintained.

18.1.42 Lack of Proper Management of Cash Advances

1490. Review of financial records revealed that cash advances totalling Kshs. 12,552,850 was issued to university lecturers to cater for travelling and accommodation expenses while supervising students on industrial attachments. However, the cash advances were expensed immediately upon issue instead of being issued as imprests. This is contrary to Section 6.1 of the University Finance Policies and Procedures Manual which states that an imprest is an advance made to staff to undertake specific activities or services upon which he is supposed to account for the funds advanced.

1491. In the circumstances, the effectiveness of the internal controls on management of cash advances could not be confirmed.

Management response

1492. The University has been operating a system where subsistence allowance is expensed when taken and only transport imprest is surrendered on arrival from official duty. This is as per financial policy and procedures manual (Policy manual 8.3.3(iii)).

1493. The component of the travelling costs was an imprest which was fully accounted for.

Committee Observation

1494. The Committee observes that the university was in breach of Section 6.1 of the University Finance Policies and Procedures Manual

Committee recommendations

1495. The Committee cites the Accounting Officer for incompetence and negligence and recommends that they henceforth comply with the University finance policies and procedures.

18.1.43 Lack of Refundable Deposits Bank Account:

1496. Review of financial records provided for audit and as disclosed in Note 29 and 30 to the financial statements revealed that retention amount of Kshs. 107,027,249 and students caution money of Kshs. 22,212,800 were held in the University's operation accounts instead of specific deposit accounts. This is contrary to Section 49(2) of the University's Financial Policies and Procedure Manual which states that a public University may, subject to the approval of the treasury or any other authorized body, place on deposit with such banks as the public university may determine, any monies not immediately required for the purpose of the university.

1497. In the circumstances, the effectiveness of the internal control on the management of caution money and the retention money could not be confirmed.

Management response

1498. Maseno University operates within a highly constraining financial environment. We appreciate the need to open these liability bank accounts.

1499. Notwithstanding this fact, the University has managed to pay all contractors certificates as they fall due and the caution money refunded for each group of graduating students every year.

1500. Going forward, we shall open these bank accounts for the retention monies on contractors' certificates and students caution money.

Committee observation

1501. The Committee observes that the lack of a refundable deposits account indicates that the university faces the challenge of being unable to meet the obligation when it falls due.

Committee recommendation

1502. The Committee recommends that the institution opens a separate account for the refundable deposits and must at all times ensure compliance with Section 49(2) of the University's Financial Policies and Procedure.

18.1.44 Irregular Engagement of Casual Workers

1503. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.0 RONGO UNIVERSITY

1504. Prof. Samuel Gudu, Vice Chancellor, accompanied by;

i.) Ms. Janet Chumba – Finance Officer

ii.) Mr. Daniel Tarus - Deputy VC- Administration, Finance and Planning

Appeared before The Committee to adduce evidence on the audited accounts of Rongo University, on 17th August 2023.

Audited statements for Financial Year 2018/19

19.1.1 Revenue from exchange transactions

1505. The statements of financial performance reflect revenue from exchange transactions of Kshs. 410,395,906 which, as reflected under Note 4 to the financial statements, includes an amount of Kshs. 62,759,811 representing accrued fees and other related charges. However, the amount was not adequately supported with details of students and respective amount per student.

1506. Consequently, the accuracy and completeness of accrued fees and other related charges amount of Kshs. 62,759,811 could not be confirmed.

Management Response

1507. The amount recognized in the statement of financial performance is the difference between Debit Notes of Ksh 69,513,184 and Credit Notes of Ksh 6,753,373. Debit Notes are used to correct undercharge while credit notes are used to correct overcharge. The list of both the debit notes and Credit Notes was provided to Office of the Auditor General in soft copy due to its voluminous nature.

Committee Observation

1508. The Committee observes that the matter had been resolved as the documentation had been provided and the Auditor-General was satisfied with the management response.

Committee Recommendations

1509. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.2 Staff Advances

1510. As disclosed in Note 12 to the financial statements included in the receivables from exchange transactions balance of Kshs, 101,598,106 reflected in the statement of financial position is an amount of Kshs. 3,514,568 relating to staff debtors. The amount, however, excludes the outstanding staff advances of Kshs. 513,550 as at 30 June, 2019. No reason was provided for the omission.

1511. Consequently, the accuracy and completeness of the staff debtors balance of Kshs.3, 514,568 could not be confirmed.

Management Response

1512. The figure of Ksh 513,550 in question, was erroneously recorded in the Cash Book under the name of the Cashier but it was a payment made to Elgeyo Travels & Tours. This amount, therefore, was an error of commission that was corrected.

Committee Observation

1513. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the corrections.

Committee Recommendations

1514. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.3 General Expenses

1515. Included in the general expenses balance of Kshs. 104,474,978 reflected in the statement of financial performance totaling Kshs. 1,135,250 which were not supported by documents such as payment vouchers, surrender vouchers and schedules.

1516. Consequently, the propriety and validity of the expenditure of Kshs. 1,135,250 could not be confirmed.

Management Response

1517. Supporting documents for expenditure worth Ksh 1,135,250 is attached

Committee Observation

1518. The Committee observes that the matter had been resolved as the supporting documentation had been provided and the Auditor-General was satisfied with the management response

Committee Recommendations

1519. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.4 Council Expenses

1520. Included in the council expenses amount of Kshs. 15,484,833 reflected in the statement of financial performance are payment totalling Ksh. 1,210,045 which were not adequately supported by relevant documents including car or taxi hire receipts for journeys made by Council Members while attending Council meetings.

1521. Consequently, the propriety and validity of the expenditure of Kshs. 1,210,045 could not be confirmed.

Management Response

1522. At the time of audit, some Council members had not submitted their accounting documents for audit. This were later submitted and hence support documentation for payment to Council members totalling Ksh 1,210,045 is hereby attached. The University will always follow up with Council members to ensure the documents are provided on time.

Committee Observation

1523. The Committee observes that some council members had still not submitted their accounting documents for audit verification.

Committee Recommendations

1524. The Committee cites the finance officer for incompetence and negligence and recommends that further payment of allowances to the affected council members be stopped until the matter is fully resolved.

19.1.5 Failure to disclose material uncertainty in relation to sustainability of services

1525. During the year ended 30 June, 2019 the University recorded a deficit of Kshs. 20,691,542. In addition, the total current liabilities balance of Kshs.366, 807,071 exceeded the total current assets balance of Ksh. 319,107,108 resulting into a negative working capital of Ksh. 47,699,963 as at 30 June, 2019. This precarious financial position is an indication of the existence of a material uncertainty which may cast significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due in absence of financial support from the government. However, the material uncertainty in relation to sustainability of services and any mitigation measures put in place by the university management to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

Management Response

1526. The University Council initiated the process of reforms to rationalize staff, reduced the number of Schools and departments and removed programs that are poorly subscribed in order to bring down the unsustainable wage bill. This is expected to free money which can be used to pay University debts.

1527. The University Management requested the Government to increase its capitation, in order to cater for increased employee expenses brought about by the signed 2017-2021 CBA's. Other measures include the increase of research activities, enhancing existing and initiating additional income-generating activities.

Committee observation

1528. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.

1529. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1530. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.

1531. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

19.1.6 Incomplete Water Treatment Project

1532. Rongo University entered into a contract with a contractor on 1st October, 2014 for the construction of water treatment plant for a sum of Kshs.80, 388,340. The project was to be completed and handed over to the university by 31 January, 2015. However, physical verification in October, 2019 revealed that the projects was not complete and no request for extension was made by the contractor after the expiry of the contract period.

1533. In the circumstances, there is no value for money for the expenditure incurred as the project has not been completed and put to use.

Management Response

1534. The project was funded by the National Government. Delayed disbursements and budget cuts led to delayed payments. The Contractor in many cases returned to site after payment of pending certificates. In addition, the Contractor requested for extension of contract period which was duly approved. This project is currently completed and is in use.

Committee observation

1535. The Committee observes that the matter has been resolved as the project was now complete and in use.

19.1.7 Construction of Lecture Halls

1536. The University entered into a contract with a contractor on 15 December, 2016 for the construction of Lecture Halls at a contract sum of Kshs.15, 417,264. The project was to be carried out within 24 weeks and be completed by June, 2017. However, physical verification in October, 2019 revealed that the project was not complete and no request for extension was made by the contractor after the expiry of the contract period.

1537. In the circumstances, there is no value for the expenditure incurred on the project.

Management Response

1538. The project was being funded by internally generated funds and hence, was progressing as and when funds were available. The delay in completion was because of cash flow challenges. However, the project was completed and the Lecture Halls are now in use.

Committee observation

1539. The Committee observes that the matter has been resolved as the project was now complete and in use.

19.1.8 Un-Remitted Statutory deductions

1540. As disclosed in Note 19 to the financial statements, included in the payables from exchange transactions balance of Kshs.333, 004, 482 reflected in the statements of financial position are payroll creditors of Kshs. 135,163,786 which include unremitted Pay As You Earn (PAYE) deductions of Kshs.117, 947,531. No explanation was provided for failure to remit PAYE deductions to the Kenya Revenue Authority as required by Section 210 of the Income Tax Act which states that Pay As You Earn deducted from employee's earnings should be remitted by the tenth day of the month following the deduction. Tax offences and non-remittance of statutory deductions can attract punitive penalties and interest which would be an unnecessary cost to the public.

Management Response

1541. Unremitted PAYE deductions of Ksh 36,157,085 was occasioned by inconsistent funding as indicated in the financial statements. This was worsened by the fact that salaries as increased by SRC are not adequately funded. However, the University Management has since cleared the amounts owed.

Committee Observation

1542. The Committee observes that the matter resolved as the institution had since cleared the amounts owed

Committee recommendations

1543. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 210 of the Income Tax Act by remitting the Pay As You Earn tax within the stipulated time.

19.1.9 Casual Employees

1544. The statements of financial performance reflect employee costs of Kshs. 653,018,521 which, as disclosed in Note 5 to the financial statements, includes salaries and wages totaling Kshs. 307,789,2777 of which an amount of Kshs. 15,210,832 was paid to ninety-one (91) casual workers. A review of the payroll revealed that the casual employees had been in service with the University for more than three (3) months contrary to the provisions of Section 37(b) of the Employment Act of 2007 on conversion of casual employment to term contract. The University Management was therefore in breach of the law.

Management Response

1545. The University engaged casual workers to supplement the permanent staff. This is because funding could not allow for the recruitment of permanent staff while the wage bill remains a major challenge. The university through reforms addressed the problem in the financial year 2023/24. The casuals were disengaged through redundancy in accordance with the law.

Committee Observation

1546. The Committee observes management was in breach of the Employment Act 2007.

Committee recommendations

1547. The Committee reprimands the Accounting Officer and recommends must at all times ensure compliance with the provisions of Section 37(b) of the Employment Act of 2007 on conversion of casual employment to term contract.

19.1.10 Regional Diversity

1548. A review of personnel records and the main payroll revealed that majority of the University staff were from one dominant ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public establishment shall seek to represent the diversity of the people of Kenya in employment" in conjunction with Article 232 (1) a (h) and (I)(ii)

Management Response

1549. The University is an equal-opportunity employer. Non-compliance with ethnic composition was brought about by the inheritance of staff from the former Moi Institute of Technology. The University is progressively reducing the dominance of one ethnic group for example between 2012 – 2023 the ethnic balance has dropped from 379 to 260.The University has put in place measures to ensure that future recruitments address this law without any discrimination.

Committee Observation

1550. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1551. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

19.1.11 Failure to comply with A Third Net Salary Rule

1552. A review of monthly payrolls for the financial year 2018/2019 revealed that seventy-eight (78) employees earned salaries which were less than a third of their respective basic salaries. This is contrary to the provisions of section 19 (3) of the employment Act, 2007 which states that, "without prejudice to any right of recovery of any debts due, and not withstanding any written law, the total amount of deductions which may be made by the employer from the wages of his employees shall not exceed two thirds of such wages".

Management Response

1553. This was occasioned by the tax waiver as a result of Covid 19 pandemic. Some staff took advantage of the increase in their disposable income and committed their payslips further. When the tax was reinstated, their net pay fell below a third. The University Management noted and has since addressed this issue. Currently all staff adhere to a third rule.

Committee Observation

1554. The Committee observes that the matter has been resolved.

Committee recommendations

1555. The Committee recommends that the accounting officer strictly adheres to the provisions of Section 19 (3) of the Employment Act of 2007

Audited statements for Financial Year 2019/20

19.1.12 Undisclosed material uncertainty in relation to the sustainability of service

1556. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.13 Unsupported Council Expenses

1557. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.14 Payables from Exchange Transactions – Payroll Creditors

1558. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.15 Unresolved Prior Year Matters

1559. The prior year audit issues have been addressed by the committee.

19.1.16 Non-Compliance with the Public Sector Accounting Standards Board's requirements

1560. The statement of net assets indicates the header "as at" 30 June, 2020 instead of year ended 30 June, 2020, the statement of financial performance in Note 25 reflects gain on disposal of motor vehicles amount of Kshs. 506,500 which defers to the respective Note 25 which reflects litigations, the statement of financial position reflects cash & equivalent instead of cash and cash equivalents. This is contrary of Public Sector Accounting Standards Board (PSASB) reporting template issued for the year 30th June, 2020. In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

Management Response

1561. This was an error of omission that has since been corrected. The University is committed to implementing Public Sector Accounting Standards Board's requirements as prescribed.

Committee Observation

1562. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1563. The Committee cites the Finance officer for incompetence and recommends that management prepares financial statements in conformity with the Public Sector Accounting Standards Board (PSASB) reporting template.

19.1.17 Non-Payment of Part-Time Lecturers

1564. As disclosed in Note 19 to the financial statements, the statement of financial position reflects payables from exchange transactions totaling to Kshs. 271,234,494. The balance includes an amount of Kshs. 60,812,755 owed to part time lecturers out of which an amount Kshs. 10,852,360 has been outstanding since 2013. This is contrary to employment Act, 2007 (17) which requires that an employer pays the entire amount of the wages earned by or payable to an employee in respect of work done by the employee. Consequently, the Management is in breach of the Law.

Management Response

1565. The University almanac overlaps into two financial years hence part-time claims are made after the semester and in the subsequent financial year. The claims are paid from internally generated income and hence are affected by liquidity challenges. The University has significantly reduced part-time creditors by increasing the workload to full-time lecturers and commits to settling the claims as made.

Committee Observation

1566. The Committee notes that university has been making deliberate efforts to pay the amounts owed to the part time lecturers

Committee recommendations

1567. The Committee recommends that the university strives to clear all the outstanding amounts.

19.1.18 Non-Compliance with the law on academic expenses

1568. As disclosed Note 10 to the financial statement, the statement of financial performance reflects academic expenses totaling to Kshs. 64,042,389. The balance includes graduation expenses cash purchases amounting to Kshs. 2,128,743. This is contrary to Section 106 (2) (b) of Public Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer of procuring entity to ensure that request to quotation is given to as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible.

Management Response

1569. The University follows the Public Procurement and Asset Disposal Act 2015 and Regulations. In case of direct procurement, quotations are normally sought from suppliers, and evaluated accordingly. LPO/LSO update of the acronym, and or Imprest in case of cash purchase is then used as a procurement method but through request for quotations. This is only in exceptional cases e.g. during graduation time or abrupt government official visits with express or implied requirements and limited time. However, the university uses request for quotation in such circumstances.

19.1.19 Non - Compliance with law on ethnic Composition

1570. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

Audited statements for Financial Year 2020/21

Undisclosed material uncertainty in relation to the sustainability of service

1571. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.20 Unsupported change in the capital investment fund

1572. The statement of changes in the net assets reflects a debit amount of Kshs. 128,159,430 included in the capital investment fund account in relation to completed projects. However, the corresponding credit entry in the financial statements, to support the change, could not be confirmed.

Management Response

1573. Management has adopted accrual method of accounting; development income is accounted for on cash basis due to the nature of funding. However, there are cases when a project is completed by a contractor before funds are fully received. In this case the building is transferred from work in progress to buildings in the Property Plant and Equipment (PPE). When the funds are received in full, then the whole contract sum is then moved from capital investment fund.

Committee Observation

1574. The Committee observes that the matter had been resolved as the supporting documentation had been provided and the Auditor-General was satisfied with the management response

Committee Recommendations

1575. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.21 Unresolved prior year Matters

1576. The prior year audit issues have been addressed by the committee.

19.1.22 Noncompliance with law on ethnic composition

1577. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.23 Unsustainable wage bill

1578. The statement of financial performance reflects employees' costs of Kshs. 761,234,961, as disclosed under Note 5 to the financial statements. The amount constitutes 85% of the total receipts of Kshs. 898,458,658 comprising revenue from both exchange and non-exchange transactions and capital grants. This contravenes Regulation 26(1) (a) of the Public Financial Management Act (National Government Regulations), 2015, which limits the expenditure on wages and remunerative allowances to 35% of the total receipts.

1579. In addition, the University spent the amount of Kshs. 761,234,961 on employee costs against a budget figure of Kshs. 751,359,461 resulting in an over-expenditure of Kshs. 9,875,500. No explanation was provided for the excess expenditure incurred on employees cost during the year under review.

1580. In the circumstances, Management was in breach of the law.

Management Response

1581. The Public Service Commission report of 2021 indicated that Rongo University was overstaffed by 137 members and this contributed to the high wage bill. The Government has also signed 2 National CBA's, resulting to increased salaries. However, funding has never been commensurate to the salary increments. Council has addressed this issue by doing the following:

a. Harmonized academic programs and reduced the number of programs to reduce Part- Time costs
b. Increased work load from 6 courses per lecturer per year to 8 courses.
c. Reorganized schools from 6 to 4 and administrative units from 33 to 26 to reduce operational expenses.
d. Reduced academic departments from 15 to 11
e. Dropped poorly prescribed courses; and
f. Declared staff redundancy and reduced the number of staff. The university will monitor the wage bill to ensure sustainability in compliance with Government directive

Committee Observation

1582. The Committee observes that the university has put in place various measures to reduce the wage bill.

Committee recommendations

1583. The Auditor general to report on the progress made in subsequent Audits

19.1.24 Failure to Remit Statutory and Other Deductions

1584. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.25Nonpayment of part time lecturers

1585. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.26 Student debtors

1586. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 97,485,086 which includes a student debtors balance of Kshs. 93,619,502, as disclosed in Note 12 to the financial statements. Review of aging analysis revealed that the student debts had been outstanding for over thirty (30) days in contravention of Section 6.3 of the University's financial management policy, revised 2019 which allows for up to 30 days' grace period before payment for monthly fees and any other amount due on contractual obligations.

1587. Management was therefore in breach of the University financial management policy.

Management Response

1588. Management has a fee payment policy which requires students to clear fee before sitting exams. Student debtors reported are majorly from students who have deferred academic year for various reasons including; financial constraints, suspension, discontinuation to show cause among others. In such circumstances the student debtors may remain unpaid until the issue is resolved. The University is in the process of revising the fee payment policy to ensure compliance. The student debtors have since reduced

Committee Observation

1589. The Committee observes that the matter had been resolved as the ageing analysis had been provided and the Auditor-General was satisfied with the management response

Committee Recommendations

1590. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.27 Work in Progress

1591. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.28 Delay in completion of water treatment plant

1592. Included in the University's work in progress of Kshs. 739,810,404 is an amount of Kshs. 100,380,611 relating to the construction of a water treatment plant. Available records revealed that the University awarded a local contractor the tender for construction of a water treatment plant at a contract sum of Kshs. 108,790,054 with a commencement date of 1 October, 2014 and initial expected completion date of 1 October, 2015. The completion date has been extended severally, the latest to 28 February, 2022.

1593. A physical verification carried out on 27 January, 2022 revealed that the contractor was not site and project remained incomplete with the staff house under construction still at super structure stage.

1594. As a result of the delay, the benefits expected from the project, by the University and the public, have not been realized.

Management Response

1595. The delays were brought about by factors beyond the control of the University including Contractor's financial challenges. However, these challenges have since been resolved and the project is now complete and in use. The University is awaiting handing over after the defect period, meanwhile the facility is in use. The process of handing over is ongoing.

Committee Observation

1596. The Committee observes that the matter had been resolved as the water treatment plant is complete and currently in use

19.1.29 Unsupported extension of contract for the construction of library

1597. Included in the University's work in progress balance of Kshs. 739,810,404 is an amount of Kshs. 611,729,771 relating to construction of a library. The University entered into a contract with a local construction company for the construction of a library at a contract sum of Kshs. 1,358,342,492, with a commencement date of 18 January, 2019 and expected completion date of 15 January, 2021.

1598. Review of records revealed that the contractor requested for extension of the contract period by one year on 12 March, 2021. However, no documentary evidence was provided for audit review on the request and it is not clear whether the University granted the request to the contractor. Further, a physical verification carried out at the time of the audit in January, 2022, revealed that the project remained incomplete.

1599. In the circumstances, the propriety and value for money on expenditure of Kshs. 611,729,771 could not be ascertained. Further, the delay in complete of the project has affected library service delivery to the University community.

Management Response

1600. Management granted the Contractor extension of the project period due to delays in disbursement of project funds by the Ministry. In future, such extension of contract for projects will be sought way in advance, once there is a likelihood that the project will go beyond the agreed timelines.

Committee Observation

1601. The Committee observes that the matter had been resolved as the supporting documentation had been provided and the Auditor-General was satisfied with the management response

Committee Recommendations

1602. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

19.1.30Delay in completion of twin workshops, classrooms and office block at Kakrao technical and vocational college

1603. Included in the Mentee Institution's work in progress of Kshs. 52,166,346 is an amount of Kshs. 46,214,052 relating to Kakrao Technical and Vocational College. Review of records revealed that Rongo University was mandated to mentor Kakrao Technical and Vocational College, a new institution, by undertaking construction of twin workshops, classrooms and offices block at the Institution. The project was awarded to a local contractor at a contract sum of Kshs. 53,720,833, and was to commence on 23 October, 2014 with an initial expected completion date of 23 October, 2015.

1604. Review of records indicated that the contractor was at eighty-seven percentages (87%) completion rate. Further, a physical verification carried out in January, 2022 revealed that the project remained incomplete and the contractor was not on site.

1605. In circumstances, the propriety and value for money on expenditure of Kshs. 46,214,052 could not be ascertained and the delay in completion of the project has affected service delivery to the public.

Management Response

1606. The project is being co-funded by The Ministry and Suna East NG-CDF. Currently the project is at 95% complete. Completion of the project awaits release of Ksh 7.5 million from NG-CDF from Suna East Constituency to enable completion of the project. However, the project is partially complete, handed over and is in use.

Committee Observation

1607. The Committee observed that the project was not yet completed and that Kakrao TVC is making deliberate efforts on its own to renovate and finish up stalled projects to make it conducive for learners to ensure maximum service delivery.

Committee Recommendations

1608. The Committee recommends Rongo University halts all on-going projects within the institution (Kakrao TVC) and that all projects should originate from the institution and not Rongo University.

1609. Rongo University to fully handover the institution and all its deliverables to run on its own and not as a mentee institution.

19.1.31 Lack of approved staff establishment

1610. Review of records revealed that the University did not have an approved staff establishment. The lack of an approved staff establishment implies that the University was yet to determine the skills and optimal staffing levels required to achieve its goals and objectives.

1611. In these circumstances, it was not possible to ascertain whether the total staff in the employment of the University was at the optimal operating level.

Management Response

1612. The University Management is in the process of developing a staff establishment as a separate document. Currently staff establishment is anchored in the strategic plan. On an annual basis, recruitment is as per approved budgets subject to availability of funds.

1613. The Committee observes that the matter had been resolved as the supporting documentation had been provided and the Auditor-General was satisfied with the management response

Committee Recommendations

1614. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.0 MAWEGO TECHNICAL TRAINING INSTITUTE

1615. Mr John Abuto, Principal, accompanied by;

Felix Otieno- Finance Officer

Appeared before The Committee to adduce evidence on the audited accounts of Mawego Technical Training Institute, on 16th August 2023.

<u>Audited statements for Financial Year 2018/19</u>

20.1.1 Opening Balances and Comparative Figures

1616. Management did not submit financial statements for the 2017/2018 financial year to the Auditor General for audit contrary to the provision of Section 44 (2)(c) of the Public Procurement And Asset Disposal Act, 2015.

1617. Consequently, the validity, completeness and accuracy of all the opening balances in the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

1618. The previous financial year 2017/2018 accounts were audited by school's auditors which was on cash basis as opposed to Auditor General IPSAS accrual and thus could not be relied upon by the Office of Auditor General for comparative figures. These were restated in the subsequent financial period.

Committee Observation

1619. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1620. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.2 Revenue from Non-Exchange Transactions

1621. As disclosed in Note 6 to the financial statements, the statement of financial performance reflects Kshs.36,316,550 in respect to transfers from the National Government-grant/gifts in kind for the year ended 30 June, 2019 whose income ledger was not provided for audit.

1622. In the circumstances, the accuracy and completeness of the Kshs.36,316,550 could not be confirmed.

Management Response

1623. *Transfers from National Government, the cash book is attached and corresponding receipt numbers and breakdown provided supporting the amounts.*

Date	*Amount*	*Working Paper*
18/10/2018	*5,956,550*	*A(i)*
12/03/2019	*30,360,000*	*A(ii)*
Total	***36,316,550***	

Committee Observation

1624. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1625. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.3 Revenue from Exchange Transactions

1626. As disclosed in Note 10 to the financial statements, the statement of financial performance reflects Kshs.154,115,042 in respect to rendering of services-fees from students for the year ended 30 June, 2019. However, the income ledger for the Kshs.154,115,042 was not provided for audit.

1627. Further, the following additional anomalies were noted:

i. The Institute issued receipts to students against among other documents, bank deposit slips whose bank transaction reference numbers was entered in the cash book. However, a comparison of the cash book and bank statements revealed one hundred and two (102) transaction reference numbers amounting to Kshs.1,035,290 which were entered in the cash book but could not be traced in the bank statements thereby casting doubt on the genuineness of the deposit slips.

ii. Twenty-one (21) receipts serial numbers 13756, 14210, 14211, 14212, 14213, 15117,16148,16224,16308,17432,18268, 18470, 18863, 18977, 19037, 19038, 19039,19232,20496,20698 and 22130.of unknown value were not entered in the cash book and could also not be tracked back to the receipt books as voided with approval.

1628. In the circumstances, the accuracy and completeness of revenue from exchange transactions of Kshs.154,115,042 could not be confirmed.

Management Response

1629. The financial records- deposit slips, corresponding bank statement showing that cash book receipts were actually received in the bank as per the statement. The missing receipt numbers were duly voided due to errors since the system used by the Institute didn't allow for correction, system logs showing why the receipt numbers were missing.

Committee Observation

1630. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1631. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.4 Receivables from Exchange Transactions

1632. As disclosed in Note 29 to the financial statements, the statement of financial position reflects Kshs.32,023,578 on receivables from exchange transactions which relates to student and rent debtors as at 30 June, 2019. However, supporting documents including debtors listing, rental fees structure and ageing analysis were provided for audit.

1633. In the circumstances, the accuracy, validity, and completeness of the Kshs.32,023,578 could not be confirmed.

Management Response

1634. The management has provided debtor listing and aging analysis for the Receivables from Exchange Transactions.

Committee Observation

1635. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1636. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.5 Cash and Cash Equivalents

1637. As disclosed in Note 28 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.108,551,056 as at 30 June, 2019. However, the following anomalies were noted during the audit:

i. Included in the Kshs.108,551,056 is Kshs.67,745,716 which was not supported with bank balance confirmation certificates and bank statements.

ii. The cash book reflects a balance of Kshs.221,989,622 while the financial statements reflects Kshs.108,551,056, resulting to an unreconciled variance of Kshs.113,438,566.

iii. A comparison of bank statements and cash book revealed payments in the bank statements but not in the cash books totaling Kshs.32,160,675 and thus understating the cash and cash bank balance by the same amount.

iv. Cash books and bank reconciliation statements for nine (9) bank accounts with balances amounting to Kshs.37,260,882 were not provided for audit:

1638. Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.108,551,056 as at 30 June, 2019 could not be confirmed.

Management Response

1639. The payment in bank statement and not in cash book have been explained through the attached payment vouchers.

1640. Cash books and Bank reconciliations have been provided for review.

Committee Observation

1641. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1642. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.6 Property, Plant and Equipment

1643. As disclosed in Note 33 to the financial statements, the statement of financial position reflects Kshs.438,285,293 in respect to property, plant and equipment as at 30 June, 2019. However, the following anomalies were noted during the audit:

i. Assets Register in support of the balances was not provided for audit.

ii. The Institute did not have an approved depreciation policy for property, plant and equipment.

iii. Tractors of unknown value which were donated to the Institute by the Parent Ministry were not included in the Kshs.438,285,293.

1644. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.438,285,293 as at 30 June, 2019 could not be confirmed.

Management Response

1645. The Institute currently has a fixed asset register having engaged qualified valuers with professional touch to value the historical assets. Currently the management is continually updating the asset register and the figures will be incorporated in the current financial year 2022-2023.

1646. The Institute has an approved Finance Policy which has factored depreciation policy. Tractors were donated by Ministry of Education, State department for Technical and Vocational Training, however, ownership documents like logbooks, number plates haven't been provided despite our request to the Ministry thus cannot be valued by valuers.

Committee Observation

1647. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1648. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.7 Intangible Assets- Software

1649. As disclosed in Note 34 to the financial statements, the statement of financial position reflects Kshs.889,719 in respect to intangible assets as at 30 June, 2019. However, the asset register and an approved amortization policy were not provided for audit.

1650. Consequently, the completeness and accuracy of the intangible assets balance of Kshs.889,719 could not be confirmed.

Management Response

1651. The management regrets not providing asset register then as it was still being worked on, with the Intangible Asset being fully amortized before the asset register was compiled

Committee Observation

1652. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1653. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.8 Biological Assets

1654. Documents provided for audit including the farm ledgers and physical verification revealed that the Institute had in its possession ten (10) cows. However, the cows had not been valued and disclosed under total non -current assets balance of Kshs.439,175,012 in the financial statements as at 30 June, 2019.

1655. Consequently, the accuracy and completeness of the total non-current assets balance of Kshs.439,175,012 as at 30 June, 2019 could not be ascertained.

Management Response

1656. The management through the Veterinary officer had the cows valued.

Committee Observation

1657. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1658. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.9 Trade and Other Payables from Exchange Transactions

1659. As disclosed in Note 36 to the financial statements, the statement of financial position as at 30 June, 2019 reflects Kshs.19,319,148 in respect to trade and other payables from exchange transactions. However, supporting invoices for the Kshs.19,319,148 were not provided for audit.

1660. Further, as disclosed in Note 42 to the financial statements, the statement of financial position reflects Kshs.9,262,466 in respect to payments received in advance relating to fees paid in advance. However, supporting students listing was not provided for audit.

1661. In the circumstances, the completeness and accuracy of the Kshs.19,319,148 and Kshs.9,262,466 could not be confirmed.

Management Response

1662. The management has attached supporting invoices for the payables for review.

Committee Observation

1663. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1664. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.10 Deferred Income

1665. As disclosed in Note 40 to the financial statements, the statement of financial position reflects Kshs.30,360,000 on deferred income which Management explained as relating to capitation funds receivable from the Government for the year under review. However, the Kshs.30,360,000 did not therefore qualify to be a deferred income since it was not funds received in advance for future utilization.

1666. No explanation was given for the anomalous treatment of capitation funds receivable in the financial statements.

Management Response

1667. The management regrets for the inaccuracies in the Deferred Income, however, the figures were adjusted in the subsequent period.

Committee Observation

1668. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1669. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.11 Loan Repayments

1670. Documents provided for audit revealed the Institute had paid Kshs.863,838 on two equal instalments of Kshs.431,919 which Management explained to be a loan repayment to a bank in respect of an asset financing loan for the purchase of Institute's thirty-three-seater bus. However, the details of the financing agreement were not provided for audit.

1671. Consequently, the validity and regularity of the Kshs.431,919 could not be confirmed.

Committee Observation

1672. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1673. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.12 Risk Management Policy Framework

1674. Documents provided for audit revealed that the Institute did not have a Risk Management Policy contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015.

1675. In the circumstances, the Institute's risk management strategies including risk identification, prioritization and mitigation mechanisms for the year under review could not be confirmed.

Management Response

1676. The Institute have developed Risk Management Policy framework that is currently in use.

Committee Observation

1677. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1678. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

20.1.13 Failure to Establish an Internal Audit Function

1679. Documents provided for audit revealed that the Institute did not have an internal audit function in place contrary to Section 73(1)(a) and Section 155 of Public Finance Management Act, 2012.

1680. In the circumstances, the Institute internal control for the year under review could not be ascertained.

Management Response

1681. The management employed the auditor and assistant auditor who are the secretary to audit committee and subsequently they have been holding audit committee meetings.

Committee Observation

1682. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1683. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 73(1) (a) and Section 155 of Public Finance Management Act, 2012 to ensure that appropriate arrangements are in place for conducting internal audit according to the guidelines of the Accounting Standards Boards.

1684. Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

1685. All audit queries in the subject financial year were recurring from the previous financial year. The Committee reiterates its observations and recommendations on the same.

Audited statements for Financial Year 2020/21

1686. All audit queries in the subject financial year were recurring from the previous financial year. The Committee reiterates its observations and recommendations on the same.

21.0 TOM MBOYA UNIVERSITY COLLEGE

1687. Prof. Charles Ocholla, Vice Chancellor, accompanied by;

i.) Mr. Julius Okoth-Acting Finance Officer

ii.) Ms. Monica Ouma- Senior Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Tom Mboya University College, on 17th August 2023.

Audited statements for Financial Year 2018/19

21.1.1 Salaries for Seconded Staff from Maseno University Kshs. 46,405,334

1688. I draw attention to Note 20 to the financial statements which reflects a balance of Kshs. 83,948,580 under trade and other payables. The balance includes an amount of Kshs. 46,405,334 due to Maseno University in respect of salaries that the University had paid to its staff seconded to Tom Mboya University College. The amount has been outstanding since 2016/2017 financial year. Management has explained that it has appealed on several occasions to the Ministry of Education and The National Treasury for financial assistance to clear this debt without success.

Management Response

1689. The Management response is as follows:

i. Tom Mboya University was established as a constituent College of Maseno University. The Salaries and allowances for FY 2016/2017 in respect to seconded

ii. staff was paid by Maseno University and Tom Mboya University recognized this expenditure in its books and appealed severally to GoK for funds from the National Treasury in order to reimburse Maseno University without success.

iii. Maseno University in its letter dated 4th May 2020 ref. MSU/VC/TMUC/50.VOL.II(9) clarified that Tom Mboya University College had no contractual obligation to pay the amount in respect of salaries for seconded staff since it had been factored in the Maseno University recurrent budget.

iv. Based on the response from Maseno University, the management in 2019/2020 Financial Year reclassified the amount and moved it from Current Liabilities to Capital Reserves.

Committee Observation

1690. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management explanation and supporting documentation was provided.

Committee Recommendations

1691. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

21.1.2 Non-Use of Official Vehicle allowance Kshs. 1,100,000

1692. As disclosed in Note 9 to the financial statements, the statement of financial performance reflects a balance of Kshs. 148,870,107 under employees cost which includes an amount of Kshs. 127,916,766 in respect of personnel costs. The latter balance includes an amount of Kshs. 1,100,000 paid to some employees as non-use of official car allowance. The allowance is not provided for in the terms and conditions of service for academic, senior library and administrative staff of the University College. Further, no documentary evidence was provided for audit review to confirm that those employees had used their vehicles exclusively for official purposes during the period claimed.

1693. Under the circumstances, the regularity and value for money of the expenditure of Kshs. 1,100,000 could not be confirmed.

Management Response

1694. The Management response is as follows:

i. Non-Use of Official Vehicle allowance is paid to management staff which includes Deans, Directors, Registrars, Chairmen of Departments and Heads of Sections as approved by the University Council.

ii. This is a taxable allowance paid through the payroll meant to compensate management staff on official errands without the use of official University College Vehicles. Tom Mboya University College adopted this allowance from Maseno University which is the mentoring institution.

iii. This allowance is part of the Management allowances as indicated in the Terms and conditions of Service for Staff in Grade 11-15 On page 37.

Allowance	Deans/Directors/Finance Officer/Registrar/ Librarian	Chairmen/Deputy Registrar/Deputy Finance Officer/Deputy Librarian	Head of Sections/Human Resources/ Administration/ Senior Accountants
Responsibility	20,000	15,000	10,000
Entertainment	23,000	15,000	10,000
Telephone	6,000	5,000	5,000
Electricity/water	5,000	5,000	3,000
Non-Use of official Vehicle	**16,000**	**14,000**	**12,000**
TOTAL	**70,000**	**50,000**	**40,000**

Committee Observation

1695. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1696. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

21.1.3 Unsupported Council Expenses

1697. The Statement of financial performance reflects an expenditure of Kshs. 10,187,278 in respect of Council expenses out of which an amount of Kshs. 740,000 was paid to Council Members as transport allowances, taxi allowances and air travel costs. However, supporting documents including taxi receipts and air tickets for air travels were not provided for audit review.

1698. Consequently, the accuracy and propriety of the expenditure of Kshs. 740,000 incurred on Council Members transport allowances, taxi allowances and air travel costs could not be confirmed.

Management Response

1699. The Management provided the following to support the expenditure of Kshs. 740,000.

i. Taxi receipts
ii. Air Tickets
iii. Copies of Log Books of Motor Vehicles for Council Members who travelled using personal Cars.
iv. Attendance Registers

Committee Observation

1700. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1701. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

21.1.4 Salaries for Seconded Staff from Maseno University

1702. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

21.1.5 Budgetary Control and Performance

1703. The Statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs. 477,957,913 and actual receipts of Kshs. 307,387,300 resulting to an overall under funding of Kshs. 170,570,613 or 26%. Similarly, the statement reflects total budgeted expenditure of Kshs. 396,215,000 and actual expenditures of Kshs. 301,061,738 resulting to under absorption of Kshs. 95,849,261 or 24%. The underfunding and under absorption may have affected the planned activities of the University College.

Management Response

1704. Management response is as follows:

i. As correctly observed by the Auditor underfunding caused the University College not to absorb the budgeted expenditure. However, the University College absorbed **97.94%** of the funds received.

ii. The University College appealed on several occasions to National Treasury and Ministry of Education for enhanced funding without much success.

1705. Appeal for enhanced funding to Principal Secretary State Department for University education and Research Ref: TMUC/REG/ACA 1/2Vol III (84) dated 10th February 2020 was provided.

Committee observation

1706. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.

1707. The Committee further observed that public universities were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1708. The Committee recommends that the Ministry of Education comes up with strategies to help resolve the issue of underfunding in institutions of higher learning.

1709. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

21.1.6 Staff Regional Diversity

1710. Review of employee records and payroll details revealed out of one hundred and eight (108) employees, fifty-seven (57) employees or 53% were from the dominant community in the County. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one third of its staff from the same ethnic community.

1711. Consequently, the College was in breach of the Law.

Management Response

i. The University College inherited a non-diverse workforce from its predecessor, Homabay Agricultural Training College.

ii. Since its establishment, the recruitment process has taken into consideration need for diversity and there has been significant progress in ensuring that there is diversity in the workforce and diverse ethnic communities and groups including minorities and marginalized are represented.

iii. The University has put in place measures to ensure compliance to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which includes advertising job vacancies through means that reaches the diverse ethnic groups.

iv. Diversity has been achieved at both teaching staff and middle level administrative staff except for support staff and this is due to high uptake of most jobs at this level by the locals.

Committee Observation

1712. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1713. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

21.1.7 Lack of Functional Internal Audit Unit.

1714. The University College has an Internal Audit Unit which is not fully functional as it is manned by only one officer contrary to the University's staff establishment which requires that the Internal audit be manned by Five (5) officers headed by the Chief Internal Auditor. Lack of a functional Internal Audit Unit may lead to weak internal controls resulting in loss of public funds.

Management Response

i. The Internal auditor does pre-auditing of all payments in order to reduce the risk on the loss of public Funds.

ii. The Internal Auditor is involved in the systems Audit of all functional departments and submits quarterly reports to the Audit Committee of the Council.

iii. The University advertised and is in the process of recruiting additional internal Auditor subject to approval and allocation of additional funds by the National Treasury.

iv. The Current Internal auditor was reviewed to Senior Internal auditor in order to motivate, enhance performance and independence of the unit.

Committee Observation

1715. The Committee observed that the internal audit function positions had been advertised and employment had been budgeted for in the financial year 2023/2024.

Committee Recommendations

1716. The Committee recommends that the Office of the Auditor General reports on the issue in subsequent audits.

Audited statements for Financial Year 2020/21

21.1.8 Budgetary Control and Performance

1717. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

21.1.9 Non-Compliance with Law on Ethnic Composition

1718. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

21.1.10 Delayed Confirmation of Employment

1719. Audit examination of the personnel records revealed that the position of Finance Officer and head of finance department has been held by an officer on an acting capacity for more than three years since 01 January, 2018. This is contrary to paragraph 3.4.4 (b) and (c) of the Tom Mboya University College Human Resource Policy Manual which provides that the acting period shall not exceed six (6) consecutive months.

1720. In the circumstances, Management was in breach of the Law.

Management Response

1721. The Management response is as follows:

i. Due to budgetary constraints the University College was unable to substantively fill the vacant positions including critical areas of its core mandate and that is the reason why the officer has continued to perform the duties in an acting capacity.

ii. The management has written to the Ministry of Education and National Treasury for enhanced funding to recruit staff and finance its core mandate.

iii. The process of reviewing the Officer for substantive appointment is ongoing.

iv. Additionally, the University looks forward to filling more positions in the 2023/2024 FY subject to increase in budgetary allocations by the National Treasury and National Assembly.

Appeared before The Committee to adduce evidence on the audited accounts of Jaramogi Oginga Odinga University of Science and Technology, on 17th August 2023.

Audited statements for Financial Year 2018/19

22.1.1 Over-payment of Professional and Legal Services

1730. The statement of financial performance reflects an expenditure of Kshs 384,639,687 under the general expenses which, as disclosed in Note 9 of the financial statements, includes an amount of Kshs 13,939,151 relating to professional and legal services. The latter balance includes an amount of Kshs 4,640,000 paid to a law firm. Available information indicates that the University entered into a contract with the law firm in 2015.

1731. The law firm was to represent the University in Civil Case No. 271 at Kisumu High Court and arbitration proceedings between the University and a contractor at a cost of Kshs 6,814,515 and Kshs 10,000,000 respectively totalling to Kshs 16,280,000. A review of the financial records submitted for audit indicated that the University made two different payments of Kshs 2,320,000 each vide Cheques No. 21442 and No. 21566 dated 19 March, 2019 and 29th March, 2019 respectively all which were in respect to the same final fee note of Kshs 2,320,000 dated 19 October, 2018 resulting to duplication of payments.

1732. Although the University sought refund of the overpaid amount from the law firm on 27 August, 2019, the law firm has not refunded the amount as at 26 October 2020. Additionally, the overpayment has been treated as expenditure instead of distinctly reported in the financial statement as other debtor.

1733. Consequently, the accuracy and propriety of professional and legal services expenditure of Kshs 13,939,151 for the year ended 30 June, 2019 could not be ascertained.

Management Response

1734. The University wrote to the law firm, Olel, Onyango, Ingutiah & Co to requesting clarification of the amount that had been paid vide the two cheques No. 21442 and No. 21566.

1735. The University had appointed the law firm to represent it in two cases:

Committee Observation

1722. The institutions had made deliberate efforts in filling up of the positions of officers in acting capacity

Committee Recommendations

1723. The Committee recommends that the Office of the Auditor General reports on the progress made regarding the issue in subsequent audits.

21.1.11 Lack of Approved staff establishment

1724. The University College did not have an approved staff establishment during the year under review. Therefore, the University College could not determine the skills and optimal staffing levels required to achieve its goals and objectives.

1725. In the circumstances, it was not possible to ascertain whether the total number of staff in employment of the university College was at the optimal operating level.

Management Response

1726. The Management response is as follows:

The University has an approved staff establishment a copy of which has been availed for your review.

Committee Observation

1727. The Committee observes that the matter had been resolved as the institution currently has an approved staff establishment

Committee Recommendations

1728. The matter is resolved and the Committee makes no further recommendations

22.0 JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

1729. Prof. Joseph Bosire, Acting Vice Chancellor, accompanied by;

i.) Prof. Aggrey Thuo- Deputy VC, Finance

ii.) George Aduda- Chief Finance Officer

i) Kisumu High Court Civil Case No. 271 of 2015 between the University and Sasah Contractors, where the contractor had sued the University for Kshs 271,000,000 for breach of contract. The agreed fees in this was Kshs 6,814,515.

ii) Arbitration between the University and Sasah Contractors, where the agreed fees amounted to Kshs 10,000,000.

1736. The payments made by the University as indicated in the audit report, therefore, related to the two different cases that the firm was handling. The payment made on 29th March 2019 was for the Kisumu High Court Civil Case No. 271 of 2015, while the amount paid on 19th March 2019 was for the arbitration case. The payments were made on account to reduce the fees that had been agreed between the University and the law firm. There was, hence, no double payment.

1737. We attach a letter from Olel, Onyango, Ingutia & Company Advocates dated 15th September, 2019 clarifying the matter pursuant to the letter we had written to them on 27th August, 2019.

1738. The amount was treated as an expenditure because based on the clarification given above it was not deemed as an overpayment and hence was not a refundable amount.

1739. The amount was thus expensed within the same financial year as it related to the year in which it was paid.

Committee Observation

1740. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendations

1741. The Committee recommends that the Accounting Officer must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

22.1.2 Receivables from Exchange Transactions

1742. The statement of financial position reflects receivables from exchange transactions of Kshs 141,893,209 which, as disclosed in Note 18 of the financial statements, includes imprest amounting to Kshs.5,591,015 outstanding as at 30 June, 2019 which was not supported by any duly executed imprest warrants.

1743. This imprest balance includes long outstanding staff imprest of Kshs 2,775,046 going as far back as 2015 contrary to Section 93(6) of the Public Finance Management (National Government) Regulations, 2015 which states that in the event the imprest holder fails to account for the imprest on the due dates, the Accounting Officer shall take action to recover the amount fully from the salary of the defaulting officer with an interest at the prevailing Central Bank of Kenya rates.

1744. Further, some officers were issued with more than one imprest, contrary to Section 94(c) of the Public Finance Management (National Government) Regulations, 2015. No explanations were provided for these anomalies.

1745. The Management was in breach of the Regulations.

Management Response

1746. The University issues imprests based on duly processed and approved imprest warrants. The imprests in the audit report were supported by imprest warrants, which we have attached as evidence. For each imprest, we have indicated the document number against which the imprest was issued.

1747. The outstanding imprests of Kshs 2,775,046 related to staff who had terminated their services with the University and who at the time of the audit, had not cleared with the University, and hence the imprests that they had taken before separation with the University were still outstanding. The staff have since cleared and surrendered the imprests. We also recovered unsurrendered imprest through the payroll for active staff, who did not properly account for their impressts.

Committee Observation

1748. The Committee observes that Kshs. 377,702 was still not accounted for.

Committee Recommendations

1749. The Committee recommends that the Accounting Officer puts in place mechanisms to recover the outstanding amount of Kshs.377,702 and must at all times ensure compliance with Section 68(2)(b) of the PFM Act 2012 and Regulation 99(3) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

<u>Audited statements for Financial Year 2019/20</u>

22.1.3 General expenses/ Dinner allowance

1750. The statement of financial performance reflects an expenditure of Kshs 263,411,138 under the general expenses which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs 55,250 being dinner allowance paid to an officer involved in preparation of data for the Commission for University Education within the University precinct contrary to Section 21.11 of the University Collective Bargaining Agreement 2013-2017 which states that meal allowance shall be paid to members of academic staff working out of their duty stations where half subsistence allowance is not paid.

1751. Consequently, the payment of the dinner allowance of Kshs 55,250 was, therefore, irregular.

Management Response

1752. The payment of meal allowances to staff in the University is guided by the Collective Bargaining Agreements that the University has signed with the various unions representing staff working in the University.

1753. Clause 6.3.6.5 of the 2013-2017 Collective Bargaining Agreement between the University and the Kenya Universities Staff Union (KUSU) provides as follows:"Meal allowance will be paid to members of staff working outside their normal working hours."

1754. Clause 13.11 of the Collective Bargaining Agreement between the University and UASU states that "that meal allowance shall be paid to members of academic staff working out of their duty stations where half subsistence allowance is not paid."

1755. The payment of Kshs. 55,250 was made in accordance with the provision of the CBA with KUSU. The officers involved were administrative staff who were preparing the Self Evaluation Report (SAR) audit of the institution by the Commission for University Education. The payment was in order since the officers worked past the normal university working hours, (after 5 p.m.) and were entitled to dinner/meal allowance as per the Collective Bargaining Agreement. We have attached a copy of the two CBAs showing the relevant sections as evidence in this regard.

Committee Observation

1756. The payment of the dinner allowance was unlawful

Committee Recommendations

1757. The Committee recommends that the accounting officer be surcharged the amount of Kshs. 55,250 that was irregularly paid.

22.1.4 Un-surrendered Staff Imprests

1758. Included in the statement of financial position is receivables from exchange transactions balance of Kshs 154,544,551 which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs 1,642,918 relating to staff imprest. The staff imprest includes an amount of Kshs 1,200,568 outstanding since 2016.

1759. Failure to recover the long outstanding amounts from the concerned officers' salaries is contrary to University's Financial Management Policy which states that imprests will be issued to officers for specific purposes and will be accounted for within 48 hours after the purpose for which it was applied for has been fulfilled. In the event that an employee has not accounted for imprests within the prescribed time frame, the amount should be recovered from the respective staff salary.

1760. Under the circumstance, the University is in breach of the law and the recoverability of the long outstanding imprests of Kshs 1,200,568 as at 30th June 2020 is doubtful.

Management Response

1761. The imprests that had not been surrendered since 2016 mainly related to staff who had terminated their services with the University and had not cleared with the University as is required. The clearance process requires that staff surrender any outstanding imprests before they can be fully cleared. The staff took inordinately long to clear and the outstanding amounts were recovered from the terminal dues. The staff have now been cleared.

1762. The other outstanding imprests for active staff who were still in service were surrendered or recovered through the payroll as indicated in the table below.

1763. The University has resolved the issue of staff having more than one imprest through the implementation of a new ERP which does not allow staff to apply for a second imprest if the first one has not been surrendered. The measures and the internal controls that have been put in place through the ERP have ensured that there is no recurrence of this matter in subsequent financial years.

Committee Observation

1764. The Committee observes that the matter had been resolved as the institution had recovered all the un-surrendered imprest and the Auditor-General was satisfied with the explanation provided by management.

22.1.5 Non-compliance to the Employment Act a third rule

1765. A review of the payroll records indicates that fifty-six (56) employees earning total basic salary of Kshs 5,873,069 earned net salary of Kshs 1,142,227. The net salary was lower than one-third of their basic salaries of Kshs 1,957,689 by Kshs 815,462. This is contrary to the Employment Act 2007 Section 19(3), which does not permit employees to commit their salaries in excess of two-thirds of their basic salaries.

1766. Consequently, the University was in breach of the Law.

Management Response

1767. During the financial year, the University was not running an integrated payroll system. There were incidences of staff earning salaries below one third of their salaries mainly occasioned by the staff instituting payroll deductions for loans and other advances, which affects their net pay without the consent/authority of the University, for example, Insurance, SACCO and Benevolent Fund deductions.

1768. In order to deal with the issue, the University Management took action to ensure that there was no further commitment of staff salary below a third of their basic salary through the implementation of an ERP System. The ERP system was implemented from the end of the financial year under review and this has resulted in the matter being addressed.

1769. We have attached a copy of internal memo dated 8th July 2019 by the Deputy Vice Chancellor – Planning, Administration and Finance (PAF), directing all staff whose salary was below the one-third rule to normalize their salaries. This directive was implemented in the ERP and therefore it is regulated through the system.

1770. The commitments of staff which were beyond the one-third rule before the implementation of the ERP are gradually being phased out and once cleared there will be no staff not complying with the rule.

Committee Observation

1771. The University implemented an ERP system to seal the loopholes and resolve the matter.

Audited statements for Financial Year 2020/21

22.1.6 Revaluation of Fully depreciated Assets in use

1772. The statement of financial position reflects property, plant and equipment balance of Kshs. 3,263,699,919. Included in this balance are fully depreciated assets with a total cost value of Kshs. 190,871,988. Although the assets were still in use, the University had not revalued them as required. Further, review of the fixed assets revealed impaired and obsolete assets with a historical cost of Kshs. 29,043,849. No disclosure has been made in the financial statements on the same.

Management Response

1773. The University plans to revalue the assets in the Financial Year 2023/2024. This revaluation could not be done before because of budgetary constraints. The University prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis.

1774. IPSAS 17 requires that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. It also prescribes that if an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued.

1775. As a result of this requirement, there are budgetary/financial implications in revaluing each class of assets, in that the University has to revalue all the items in the class and pay the valuer accordingly. The University, therefore, plans to do the revaluations of the fixed assets in a phased manner in FY 2023/2024, starting with motor vehicles. Upon the completion of the revaluation for each class of fixed assets, the University's assets register with be updated with the new values.

1776. The impaired and obsolete assets of Kshs 29,043,849 were disclosed in the financial statements for the year ended 30th June 2021 under Note 23 on Property, Plant and

Equipment. We have attached an extract of the financial statements as evidence of the disclosure that was made.

1777. The disposal of the assets noted in the audit report will be completed in FY 2023/2024. This is because some of the items that we tendered were not responsive and hence we will use other disposal methods authorized by the law. However, in FY 2022/2023, the University disposed of the following fixed assets with a cost of Kshs 10,600,000 that had been noted in the audit report as obsolete:

Lot No.	Item Description	Qty	Reserve price	Amount paid
1.	Bus KAB 565B	1	110,000	186,000
2.	Bus KAE 206F	1	260,000	336,000
3.	Old tractor trolley	1	10,000	41,000

1778. We have attached the report on the disposal of various unserviceable/obsolete items for the year ended 30th June 2023 as evidence of the disposal that has already been done.

Committee Observation

1779. The University has budgeted to revalue the assets in the financial year 2023/2024.

Committee Recommendations

1780. The Office of the Auditor General to report on the same in subsequent audits.

22.1.7 Student Debtors

1781. The statement of financial position reflects receivables from exchange transactions figure of Kshs. 176,280,564 which is net of the student debtors after provision for doubtful debts of Kshs. 238,924,696. Review of the supporting schedule provided for audit indicates that the provision of Kshs. 238,924,696 was based on 100% for debtors relating to 2015 and earlier, 25% for those relating to the period between 2016 and 2019 while 10% for those relating to 2020 to 30 June 2021.

1782. However, the management has not disclosed the policy on provision for bad and doubtful debts in the financial statements or how the provision rates were derived.

Management Response

1783. The policy on provision for bad and doubtful debts was disclosed in the financial statements for the following year in FY 2021/2022 to correct this matter that had been raised in the financial statements for FY 2020/2021. The policy is disclosed on page 19 under **Summary of Significant Accounting Policies – Provisions** in the financial statements for the year ended 30th June 2022.

1784. We have attached a copy of the financial statements as evidence that the issue was corrected in the following financial year.

1785. We have also attached the University's Finance and Procedures Manual which contains the guidelines on provisions for bad debts under Section 11.4.

Committee observation

1786. The matter is resolved as the institution complied with the provision of bad and doubtful debts in subsequent financial years. University's Finance and Procedures Manual was also provided.

22.1.8 Budgetary Control and Performance

1787. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs 1,972,020,418 and Kshs 1,763,030,697 respectively, resulting to an under-funding of Kshs 208,989,721 or 11% of the budget. Similarly, the University spent Kshs 1,926,892,850 against an approved budget of Kshs 1,972,020,418 resulting in an under-expenditure of Kshs 45,127,568 or 2% of the budget.

1788. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1789. The financial year 2020/2021 was affected by the advent of the Covid-19 pandemic that hit the country from March 2020. The pandemic sent shockwaves through the World Economy, triggering one of the largest economic crises in more than a century.

1790. At the onset of the pandemic, the Government took decisive measures to contain and mitigate against the spread of the virus. Some of the measures taken were the closure of learning institutions and restrictions on travel and in-person meetings.

1791. The closure of the University following the Ministry of Health's directive on containment measures negatively disrupted the University's operations leading to reduced revenue collections compared to the budgeted amounts. This is because the University could realise funds that it had budgeted for from tuition and related fees and other Appropriations-in-Aid activities, like accommodation and catering fees. This is the principal reason that negatively impacted the performance on revenue collection during the FY 2020/2021.

1792. The closure also affected the absorption of budgeted funds as planned activities could not be undertaken due to restrictions on travel and in-person meetings.

1793. The University has also experienced decrease in the number of students admitted. This is mainly caused by the reduction in the number of students qualifying to join public universities in the recent past. The decline in the number of students and hence the funding from the Government has led to a negative variance in revenue collections. To mitigate against this, the University is marketing its existing programmes, putting concerted efforts in growing the post graduate students, strengthening research and proposal writing in order to increase the level of attracted research funds and also coming up with new programmes which are attractive to the students.

1794. The University has also established an income-generating unit - JOOUSTESS Enterprises that processes drinking water, detergents, fingerlings and farm produce among others for sale both to the University and to the general public. This is expected to enhance revenue collections in the institution.

Committee observation

1795. The Committee observes that underfunding of the university was a matter that was cross-cutting other universities. The capitation provided was inadequate and the universities had limited diversification options.

1796. The Committee further observed that public universities were over-reliant on government capitation, and did not exploit their own income-generating internal capacity and potential.

Committee Recommendations

1797. The Committee recommends that the Ministry of Education develop strategies to help resolve the issue of underfunding in institutions of higher learning.

1798. Further, the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

HON. WANAMI WAMBOKA

CHAIRPERSON, PUBLIC INVESTMENT COMMITTEE ON GOVERNANCE AND EDUCATION

DATE:

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 JUL 2024		DAY. Thursday
TABLED BY:	Hon. Naisula Lesuuda, MP Vice - chairperson	
CLERK-AT THE-TABLE:	Anne Shubuku	

ADOPTION OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION 4TH REPORT ON THE ACCOUNTS OF VARIOUS STATE CORPORATIONS (NYANZA REGION)

We, the Honourable Members of the Public Investments Committee on Governance & Education (PIC-G&E), do hereby affix our signatures to this 4th Report on Accounts of various governance agencies (Nyanza Region) to affirm our approval and confirm its accuracy, validity and authenticity;

	HON. MEMBER	SIGNATURE
1.	Hon. Wanami Wamboka , MP – Chairperson	
2.	Hon. Josephine Lesuuda Naisula, OGW MP – Vice-chairperson	
3.	Hon. Mark Muriithi Mwenje, MP	
4.	Hon. (Dr.) Shadrack Mwiti Ithinji MP	
5.	Hon. Moses Kirima Nguchine, MP	
6.	Hon. James Wamacukuru Githua Kamau, MP	
7.	Hon. Alfa Ondieki Miruka, MP	
8.	Hon. Bonaya Mumina Gollo, MP	
9.	Hon. Chiforomodo Mangale Munga, MP	
10.	Hon. Daniel Karitho Kiili, MP	
11.	Hon. (Amb.) Francis Sigei Kipyegon, EBS, MP	
12.	Hon. Joseph Tonui Kipkosgei, MP	
13.	Hon. Maurice Kakai Bisau, MP	
14.	Hon. Rebecca Tonkei Noonaishi, MP	
15.	Hon. Thuddeus Nzambia Kithua, MP	

MINUTES OF THE 53RD SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON THURSDAY 17th AUGUST, 2023 AT BEST WESTERN HOTEL, KISUMU COUNTY AT 2.30 PM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Thaddeus Nzambia Kithua, MP

ABSENT WITH APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Maurice Kakai Bisau, MP
4. Hon. Tonui Joseph Kipkosgei, MP
5. Hon. Moses Kirima Nguchine, MP
6. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE

SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer

OFFICE OF THE AUDITOR GENERAL

1. Mr. Felix K. Itonge - Auditor/Liaison Officer
2. Mr. Wilson Maiyo - Auditor
3. Mr. Edward Okwach - Auditor
4. Ms Caroline Ndung'u - Auditor

MAWEGO TECHNICAL TRAINING INSTITUTE

1. Mr. John Abuto - Chief Principal
2. Mr. Felix Odero - Finance Officer

UGENYA TECHNICAL AND VOCATIONAL COLLEGE

1. Ms. Elizabeth Okullo - Principal
2. Mr. Simon Njoga - Finance Officer

KEROKA TECHNICAL TRAINING INSTITUTE

1. Mr. Haron Maosa - Principal
2. Mr. Philip Okwoyo - Finance Officer

ASUMBI TEACHERS TRAINING COLLEGE

1. Ms. Sikuku Stella - Principal
2. Mr. Francis Otieno - Finance Officer

MIN.NO.NA/DAAOSC/PIC-G & E/2023/212: PRELIMINARIES

The chairperson called the meeting to order at 2:50 pm with a word of prayer and thereafter asked those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Alfa Ondieki Miruka, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings and matters Arising
3. **Response to the audit queries by various agencies in Nyanza Region;**
   i. Mawego Technical Training Institute
   ii. Ugenya Technical and Vocational College
   iii. Keroka Technical Training Institute
   iv. Asumbi Teachers Training College
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/213: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/214: RESPONSES TO THE AUDIT QUERIES BY VARIOUS AGENCIES

i. MAWEGO TECHNICAL TRAINING INSTITUTE

FY2018/2019

The following audit queries were marked as resolved;

a. Opening Balances and Comparative Figures
b. Revenue from Non – Exchange Transactions
c. Revenue from Exchange Transactions
d. Cash and Cash Equivalents
e. Intangible Assets Software
f. Biological Assets
g. Trade and Other Payables from Exchange Transactions
h. Deferred Income
i. Loan repayments
j. Risk Management Policy Framework
k. Failure to Establish an Internal Audit Function

The following audit queries were marked as unresolved;

a. Property Plant and Equipment

As disclosed in Note 33 to the financial statements, the statement of financial position reflects Kshs.438,285,293 in respect to property, plant and equipment as at 30 June, 2019. However, the following anomalies were noted during the audit:

i. Assets Register in support of the balances was not provided for audit.

ii. The Institute did not have an approved depreciation policy for property, plant and equipment.

iii. Tractors of unknown value that were donated to the Institute by the Parent Ministry were not included in the Kshs.438,285,293.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.438,285,293 as at 30 June, 2019 could not be confirmed.

Management Response

The management stated that the Institute currently has a fixed asset register having engaged qualified valuers with a professional touch to value the historical assets. Further, the management is continually updating the asset register and the figures will be incorporated in the current financial year 2022-2023.

The Committee directed that the management ensure compliance within six months.

b. Receivables from Exchange Transactions

As disclosed in Note 29 to the financial statements, the statement of financial position reflects Kshs.32,023,578 on receivables from exchange transactions which relates to student and rent debtors as at 30 June, 2019. However, supporting documents including debtors listing, rental fees structure and aging analysis were provided for audit. In the circumstances, the accuracy, validity, and completeness of the Kshs.32,023,578 could not be confirmed.

Management Response

The management stated that it had provided debtor listing and aging analysis for the Receivables from Exchange Transactions.

The Finance Officer was cited for incompetence with the committee stating that it would determine the matter at a later date.

<u>FY 2019/2020</u>

The following audit queries were marked as resolved;

a. Inaccuracies of the Financial Statements
b. Inaccuracies in Revenue from Non-Exchange Transactions
c. Inaccuracies in Borrowings
d. Inaccuracies in Reserves Balance
e. Wrong Classification of Development Expenses
f. Unsupported Conditional Grants
g. Net Cash Flows used in Investing Activities

The following audit queries were marked as unresolved;

a. **Budgetary Control and Performance**

The statement of comparison budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.310,714,200 and Kshs.180,632,273 respectively resulting to an under-expenditure of Kshs.130,081,927 or 28% of the budget. Further, the statement reflects a development expenditure budget of Kshs.117,000,000 which includes Kshs.75,000,000 for various projects which were not implemented. Based on the approved estimates, the under-expenditure affected the planned activities and may have negatively impacted service delivery to the public.

Management Response

The management stated that it experienced under-expenditure as a result of covid-19 pandemic which affected the school calendar resulting to the low collection of school fee and also missing on 4th quarter capitation. Further, the management stated need for social distancing and the limitation of interaction hindered the procurement process for projects leading to non-implementation.

The Committee observed that this issue was cross- cutting and therefore resolved to invite the Principal Secretary to shed light on the above matter.

b. Non- Compliance with Law on Ethnic Composition.

During the year under review, the total number of employees at the Institute was one hundred and six (106) out of whom eighty (80) or 75% were members of the same ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that "no public establishment shall have more than one third of its staff from the same ethnic community".

Management Response

The management stated that the dominant community consists of 30 people working on the grounds which are not lucrative and don't other people given the location of the Institute. However, the management stated that it considers the National Cohesion requirement as well as gender equality.

The Committee directed the management to ensure adherence to ethnic diversity laws during staff recruitment.

<u>FY 2020/2021</u>

The following matters were marked as resolved;

a. Inaccuracies in Employee Costs
b. Unsupported Capital Fund and increase in Deposits.
c. Failure to hold Audit Committee Meetings.
d. Lack of approved Human Resource Plans.

The following audit query was marked as unresolved;

a. Fixed Assets Register

Fixed Assets Register maintained by the Institute did not incorporate assets, such as land, buildings, plant and machinery and capital work in progress. Library books and equipment in the Mechanical and Automotive and Administration Departments did not also have attached values. Further, the Register listed assets per location and not per asset categories reported in the financial statements, which made it difficult to compare values in the register with values in the financial statements. In the circumstances, the existence of internal control system to guarantee recording and accounting for fixed assets could not be confirmed.

Management Response

The management stated that the Institute chad a fixed asset register having engaged qualified valuers with professional touch to value the historical assets. Currently, the management is continually updating the asset register and the figures will be incorporated in the current financial year 2022-2023.

The Committee directed the auditor to confirm compliance in the next audit cycle.

ii. ASUMBI TEACHERS TRAINING COLLEGE

FY2019/2020

The following audit queries were marked as resolved;

a) Unsupported Property, Plant and Equipment
b) Long Term Receivables from Exchange Transactions

The following audit queries for this financial year were marked as unresolved;

a. Long Term Trade and Other payables from Exchange Transactions.

The statement of financial position reflects long term trade and other payables from exchange transactions balance of Kshs. 25,087,063 and as disclosed in Note 41(b) to the financial statements. However, an aging analysis and review of records revealed that the College has been unable to meet its creditor obligations for a long period of time with a balance of Kshs. 19,881,098 having remained unsettled for more than three (3) years at the closure of the financial year under review.In the circumstances, the College's ability to settle the outstanding amount of Kshs. 25,087,063 is doubtful.

Management Response.

The management stated that the college has a payment plan towards creditors whereby current service providers are cleared every month to avoid disruption of services to current students. Further, the amount of money owed to the creditors/payables (ksh. 25,087,063) is less than the receivables of ksh. 96,095,588 – hence ability to settle the outstanding amount of kshs 25,087,063 is not doubtful.

The Committee directed the auditor to confirm progress in the next audit cycle.

b. Staff ethnic composition

Review of employees' records revealed that out of seventy-one (71) employees, sixty-seven (67), or 94% were from the dominant community. This is contrary to Section 7(1) and (2) of the Nation Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law.

Management Response

This occurrence is historical and employees are on permanent and pensionable terms hence cannot be relieved without facing litigation however, the BoM on a full BoM meeting on 27/1/2023 resolved that this anomaly be corrected as more staff exit.

The Committee directed the management to strictly adhere to the law on ethnic diversity when recruiting new staff.

c. **Inadequate safeguards for prompt collection of fees from students.**

Included in the current and non-current receivables from exchange transactions under Note 27(a) and (b) to the financial statements and balances of Kshs. 14,295,555 and Kshs. 96,095,588, respectively for student debtors. However, the College does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students promptly. This is contrary to Regulation 64(1) (a) of the Public Finance Management (National Government) Regulation, 2015 which states that, "an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public money to their ministries, departments or agencies."In the circumstances, Management was in breach of law.

Management Response

The management stated that the fees is collected from students by the guidelines of the Ministry of Education through the issuance of fee structure. The Finance Officer further stated that Initially, the fee structure was made in that students were allowed to pay a year's fees in three instalments which made it difficult to collect 100% revenues leading to huge arrears as reported in the financial statements. Students' calendar year begins in September to August hence before they can graduate to the next class, the financial year has already ended therefore any fee balance is treated as an arrear.

The Committee directed the audit to confirm compliance and report back in the next audit cycle.

d. **Lack of staff establishment.**

Review of human resource records revealed that the College has been operating without an approved staff establishment to ensure that appropriate systems, procedures, structures, skilled and competent staff are in place at the optimal level to deliver its mandate to the students and other stakeholders.

In the circumstances it was not possible to confirm whether the total staff in the employment of the college was the optimal number required for effective operations.

Management Response

The management informed the Committee that the establishment used by the college was approved by the ministry of Education back in the year 2011. The college is in the process of developing a staff establishment.

The management was directed to comply within a year and the auditor to confirm and report back.

e. **Lack of an Internal Audit function Unit and audit committee.**

The College has not established an internal audit unit to assure the state of risks, its management and control in the entity. The College does not have an audit committee to monitor the entity's governance process, accountability process and control systems and to offer objective advice on issues concerning risk, control, regulatory requirements and governance.

In the circumstances, risks and weaknesses existing in the system of internal controls could not be confirmed.

Management Response

For a long time, the staff establishment in the teachers training colleges in Kenya does not have an internal audit department because it has not been approved by the Ministry of Education. The new BoM will from time to time engage an audit Committee from the neighboring tertiary institutions that have such a committee in place.

The management was directed by the Committee to comply with the law within one year after which the Auditor would then report back in the next audit cycle.

f. **Lack of risk management policy framework.**

The College does not have an approved Risk Management Policy and Risk Management Framework including strategies and procedures put in place to assess, identify, measure, prioritize and mitigate risks in the College.

In the circumstances, the management lacks a mechanism to help in the detection and mitigation of any possible risk in the institution.

Management Response.

The management informed the Committee that the College has developed and implemented a risk management policy.

The committee instructed the auditor to verify compliance in the next audit.

iii. **UGENYA TECHNICAL AND VOCATIONAL COLLEGE**
FY 2018/2019
The management reappeared for the second time to respond to the following query;

a. **Inaccuracies in Property, Plant and Equipment**
The statement of financial position reflects property, plant and equipment balance of kshs.53,442,738.00. The college received five (5) tractors from the Ministry of Education (Parent Ministry). However, the cost of the tractors is excluded in the financial statements and the ownership documents not provided for audit. Physical verification of the tractors indicates that some had no blue number plates and the tractors are not included in the fixed assets register.

Further, depreciation charge for the year was totaling kshs.1,409,413.00 for various classes of assets. However, the rates used were not supported and it was not clear how the amounts have been arrived at as the financial statements have not reflected the various rates of depreciation for each category or class of assets. Consequently, the accuracy, completeness and validity of the property, plant and equipment balance of kshs.53,442,738.00 could not be confirmed.

Management Response

The college management stated that it has engaged the Ministry of Public Works to value the college assets from 17th July, 2023 as shown in the attached commitment letter from the Ministry of Public Works. This will help in attaching cost and depreciation rates to the college assets. Further, the college has also formulated the Finance Policy to guide in the provision of depreciation rates for different classes of assets which have now been disclosed in subsequent statements and reports.

The Committee directed the management to ensure compliance within one year.

iv. KEROKA TECHNICAL TRAINING INSTITUTE

FY 2018/2019

The following audit queries were marked as resolved;

a. Establishment of Riatirimba Campus
b. Land Ownership Documents

The following audit queries were marked as unresolved;

a. Presentation and Disclosure of the Financial Statement

The financial statements presented for audit contained the following.The statement of cash flows for the year under review reflected grants and other subsidies of Kshs. 14,227,248. However, this amount was not captured in the statement of financial performance for the year under review. on follow-up on audit recommendations did not have page numbers and did not have page headers. In the circumstances, the financial statements for the year ended 30 June, 2019 do not comply with the reporting guidelines prescribed by the Public Sector Accounting Standards Board (PSASB).

Management response

The management stated that it had noted the error of omission and had rectified it in the subsequent financial statements. The management has incorporated the observations in the subsequent financial statement.

The Committee cited the accounting officer for incompetence.

b. Irregular Expensing of Construction Costs as General Expenses

The statement of financial performance reflects general expenses of Kshs. 5,831,326 for the year ended 30 June, 2019. As disclosed in Note 13 to the financial statements, the expenditure includes an amount of Kshs. 3,563,926 which was incurred on an on-going construction of the Institute`s library. The expenditure was incorrectly classified and presented as part of general expenses instead of work-in-progress under property, plant and equipment. Consequently, the accuracy and fair presentation of general expenses of Kshs. 5,831,326 for the year ended 30 June, 2109 could not be confirmed.

Management response
The management stated that the figure for library grants has been restated in the financial year 2019/2020 and classified under grants and subsidies.

The Committee cited the accounting officer for incompetence.

c. **Material Reduction in the Value of the Property, Plant and Equipment**

During the year under review, Property, Plant and Equipment were revalued downwards by Kshs. 478,313,236 as disclosed in Note 22 to the financial statements after engaging a professional valuer.

Management response
The management stated that the figure presented in the financial statements of 2017/2018 came from a management perspective. However, during the audit of the said financial year (2017/2018) the management was advised to seek the services of a professional and independent valuer who was engaged and gave the correct values that were used to prepare the financial statements of 2018/2019. Currently, the Institute uses the correct figures as per the professional valuer's evaluation report.

The Committee directed the auditor to confirm compliance in the next audit cycle.

d. **Mentorship Funds**
During the year under review, Keroka Technical Training Institute received a total of Kshs. 11,642,730 towards the construction of Chepalungu and Orogare Technical Training Institutes that are under its mentorship programme. However, it was noted that the Institute did not have a budget for the funds which were received from the parent Ministry for the purpose of mentorship.

Management Response
The Management noted the erroneous treatment of said mentorship funds and wish to state that the same should not recur in the subsequent year.

The Committee directed the management to furnish the auditor with documents for verification.

<u>FY2019/2020</u>

The following audit queries were marked as resolved;
a) Lack of Age Analysis on Receivables from Exchange Transactions
b) Lack of Training Assessment
c) Inactive Audit Committee
d) Lack of Key Positions in Administration
e) Institute's Strategic Plan

The Committee observed that the rest of the audit queries in this financial year were recurring from FY 2018/2019.

FY2020/2021

The following audit queries were marked as resolved;

a) Variance in Receivables from Exchange Transactions
b) Inaccuracies in the Statement of Cash Flows
c) Ineffective Internal Audit Unit
d) Inactive Audit Committee
e) Lack of an imprest Register

Further, the Committee noted that the rest of the audit queries were recurring from the previous financial years.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/215: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 5:30pm. The next meeting will be held on notice.

SIGNED: .... DATE: 22/11/23.

(CHAIRPERSON)

MINUTES OF THE 52ND SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON THURSDAY 17TH AUGUST, 2023 AT BEST WESTERN HOTEL- KISUMU AT 8:30 AM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Thaddeus Nzambia Kithua, MP
6. Hon. Chiforomodo Mangale Munga, MP

APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. Maurice Kakai Bisau, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Moses Kirima Nguchine, MP
5. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
6. Hon. Tonui Joseph Kipkosgei, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE
SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Moses Mwariri - Legal Counsel II
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derrick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer
9. Mr. Albert Atunga - Serjeant - at- Arms

OFFICE OF THE AUDITOR GENERAL

1. Mr. Dennis Kariuki - Director of Audit
2. Mr. Kennedy O. Ongoi - deputy Director of Audit
3. Mr. Samuel Chege - Principal Auditor
4. Ms Margaret M. Monange - Auditor
5. Mr. Wilson Maiyo - Auditor
6. Mr. Felix K. Itonge - Auditor/Liaison Officer

TREASURY

1. Mr. Mark Ngecho

INSPECTORATE OF STATE CORPORATIONS

1. Mr. Michael Muturi

THE KISUMU POLYTECHNIC

1. Ms Catherine Kalonye - Principal
2. Mr. Paul Makori - Finance Manager
3. Mr. Milton Omollo - Supply Chain Manager
4. Ms Monica Mmbasu - Finance Officer
5. Mr. John Maisu - Accountant
6. Mr. Harman Magae - Contractor

KISII UNIVERSITY

1. Prof. Joseph T. Mailutha, PhD. - Ag. Vice Chancellor
2. Mr. Charles Maina - Finance Officer

RONGO UNIVERSITY

1. Prof Samuel Gudu - Vice Chancellor
2. Dr. Janet Chumba - Finance Officer
3. Prof. Daniel Tarus - DVC Administration, Finance, and Planning
4. Ms Olivia Adhiambo - Senior Accountant
5. Mr. GideonKilel - Accountant

RAMOGI INSTITUTE OF ADVANCED TECHNOLOGY

1. Mr. Tom Mulati - Principal
2. Mrs. Maren Omondi - Former Principal
3. Mr. George Odero - Finance Officer

TOM MBOYA UNIVERSITY

1. Prof. Charles O. Ochola, PhD- Ag. Vice Chancellor
2. Mr. Julius O. Otieno - Ag. Finance Officer
3. Ms. Monica Ogolla Ouma - SPO
4. Mr. Frankline Odhiambo -
5. Mr. Edward Ochenge -

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

1. Prof. Joseph Bosire - Ag. Vice Chancellor
2. Prof. Stephen Agong - Former VC
3. Prof Aggrey Thuo - DVC Administration, Planning, and Finance
4. Mr. George K. Aduda - Chief Finance Officer
5. Dr. Nancy Muchai - Former Chief Officer
6. Mr. Dickson Onuko Seda - Procurement Manager
7. Mr. Dennis T. Kariuki - DA

MIN.NO.NA/DAAOSC/PIC-G & E/2023/: PRELIMINARIES

The chairperson called the meeting to order at 9:12 am. A word of prayer was said followed by introductions. The agenda was confirmed as listed hereunder on the proposal of Hon. Thaddeus Nzambia Kithua, MP and seconded by Hon. Alfa Ondieki Miruka, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings & Matters Arising
3. **Meeting with State Corporations on issues arising from the Audit Reports;**
   i. The Kisumu Polytechnic

ii. **Kisii University**
iii. **Rongo University**
iv. **Ramogi Institute of Advanced Technology**
v. **Tom Mboya University**
vi. **Jaramogi Oginga Odinga University of Science and Technology**

4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/209: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/210: RESPONSES TO THE AUDIT QUERIES FOR THE FINANCIAL YEARS 2018/19, 2019/20 AND 2020/21

1. THE KISUMU POLYTECHNIC

The entity was reappearing to submit documents pertaining to the library project particularly the installation of CCTV surveillance and air conditioning. The committee directed the Auditor to verify the documents and report to the Committee in a week's time.
In addition, the management was also directed to furnish the Auditor with documentation of the following projects: Nyakach TTI by DamTech Enterprises, The Kisumu National Polytechnic by Ecohom Ltd and Multipurpose Building by Vaghjiyani Enterprises Ltd.
The Committee also directed that the polytechnics council should appear before it on 30th August 2023.

2. KISII UNIVERSITY

FY 2018/2019

1. Rent for Leased property

Included in General expenses of Kshs.578,994,000 is an amount of Ksh.118,928,000 which was paid as rent to various landlords for the leased properties in respect of four campuses namely, Kericho, Nairobi, Migori and Eldoret. However, the leases were not registered with the state department for housing and urban development which is responsible for public office accommodation lease and management. Further there was no documentary evidence of valuation of the leased properties. Consequently, the regularity and value for money of the expenditure of Ksh. 118,928,000 could not be confirmed.

The Management informed the Committee that all the current leases are drafted and signed by authorized legal practitioners; the university also pays stamp duty for all the leases however with regard to registering of the same with the responsible ministry of the university is fast tracking the process of the remaining leases. The delay has been occasioned by the continuous reduction of the occupied spaces due to reduced enrollment of module II students.

The Committee recommended that the accounting officer be cited for negligence and incompetence for failure to register that leases with the relevant authority and provide documentary evidence of valuation of the leased properties.

2. Employee Costs

The statement of financial performance reflects total expenditure on employee's costs amounting to Kshs.1,768,866,000 compared to total revenue of Ksh.2,509,495,000. The expenditure on compensation of employees (salaries, benefits and allowances) during the year therefore constituted about 70% of the total revenue. This is contrary to the provisions of regulations 26(1) (a) of the public finance management (National Government) Regulations, 2015 which by implication limits the university's expenditure on compensation of employees including benefits and allowances to not more than 35 percent of its annual revenue.

The Management agreed with the Auditor General's findings, however, they asserted that Kisii University is a young institution chartered in 2013. The funding that the University has been receiving from the National government in comparison with the annual request is still inadequate. As a result, the amount spent on employee costs seems to be on the higher side in comparison with the whole budget. On the other hand, the university is still being compelled to recruit, especially more teaching staff by Commission for University Education to meet some key requirements leading to increase in employee costs. Other factors contributing to increased wage bill includes Annual salary increments, Promotions and CBA (collective bargaining agreements). Finally, in view of the fact that the total revenue has been declining for the last five financial years whereas the expenditure has remained constant or increased in some instances it is difficult to achieve the percentage thresh hold as required in the regulations.

In order to continually address this challenge, the management has put in measures such as declaration of redundancy and outsourcing of some core activities like cleaning and security services all aimed at reducing costs.

The Committee advised the management to ensure compliance with the law and asked the Auditor to report in subsequent audits.

3. Part Time Lecturers

Included in the Trade and other payables from exchange transactions balance of Kshs. 450,591,000 is an amount of Kshs. 221,305,000 which was due to part-time lecturers as at 30th June 2019. (2018-Kshs. 151,526,000). The significant increase of Kshs.69,779,000 or 32% in the amount due to the part time lecturers during the year under review was not satisfactorily explained given that some of them were involved in teaching self-sponsored students who were paying fees.

The management said that part of the outstanding payables includes unremitted statutory deductions. The main reason for nonpayment of these statutory deductions is due to lack of enough funds. However, despite the financial challenges the university management has put in measures and ensured that the outstanding payables are continuously being paid.

The Committee asked the Auditor to report progress in the next Audit cycle.

4. Ethnic Composition

A review of personnel records revealed that the university had hired seventy-eight (78) new staff during the year 2018/2019. The staff employed were from one dominant ethnic community. This was done contrary to the provision of section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in employment.

The university management has always ensured that it adheres to the requirements of National Cohesion and integration Act. However, in this case most of the staff recruited were meant to work in low cadre jobs like cleaning and office clerks. From past experience it is difficult to attract people from outside the region who would be willing to come and work for the said jobs because of the low earnings. There is also pressure from the local community to be considered for such openings. However, the university management commits to continue adhering to the requirements of the relevant provisions of the law while recruiting its staff in order to ensure the diversity of the people of Kenya is reflected in its workforce.

The Committee severely reprimanded the Vice Chancellor for failure to comply with the demands of the Law.

FY 2019/2020

The Auditor reported the following issues as resolved:

1. **Cash and Cash Equivalents**
2. **Long Outstanding Receivables**
3. **Non Compliance to a third rule on salary deductions**
4. **Lack of an approved Finance policy**

The management responded as follows to the audit queries raised:

5. **Undisclosed Material Uncertainty in relation to sustainability of services**

During the year under review, the University recorded a deficit of Kshs. 508,827,000(2019-deficit of Kshs.19, 602,000) thus reducing accumulated surplus from Kshs.331,319,000 in June 2019 to a negative of Kshs. 177,508,000 as at 30th June2020. Further, the current liabilities of Kshs. 668,048,000 exceeded the current asset of Kshs. 546,903,000 resulting to a negative working capital of 121,145,000 which indicates that the University is likely to be unable to meet its financial obligations as and when they fall due.

The University is technically insolvent and if no urgent positive measures are taken to improve the financial position, it may not be able to meet its mandate in future. The financial statements have therefore, been prepared on a sustainability of services basis on assumption that it will continue to receive financial support from Government, creditors donors. The material uncertainty in relation to sustainability of services has not been disclosed in the financial statements.

The Management agreed that during the year under review the University reported a deficit of Kshs.508, 827,000 and that this trend had continued for the three financial years preceding the year under review.

The main reason for this trend is the inadequate funding in form of monthly exchequer from the government. In addition, the decrease in revenue raised internally A.I.A (Appropriation in Aid) occasioned by huge decline in number of self-sponsored students who formed the main source of this revenue stream.

In order to remedy the situation, the management has taken several measures which include but not limited to reducing the personnel costs by way of declaring redundancy. The management is also anticipating the introduction of the new financing model of higher education which is aimed at alleviating the financial challenges the institution is currently facing.

The management has also outsourced key services like cleaning and provision of security services as a way of reducing costs.

The Committee asked the Auditor to monitor progress and report in the next audit.

6. Trade and other Payables from Exchange Transactions

6.1 Long Outstanding Sundry Creditors

The statement of financial position reflects a balance of 659,831,000 under trade and other payables from exchange transactions which, as disclosed in 17 to the financial statements, indicates sundry creditors of 43,977,000 which have been outstanding for more than four (4) years. No explanation was provided to delay in settlement of the amount. Consequently, the propriety and validity of sundry creditors balance of Kshs. 43,977,000 as at 30th June 2020 could not be confirmed.

The Vice Chancellor stated that the main reason for nonpayment of these statutory deductions is due to lack of enough funds.
However, despite the existing financial challenges, the university management has put in measures and ensured that the outstanding payables are continuously being paid.
The Committee ordered the management to ensure that the outstanding balances are cleared as soon as possible.

6.2. Long Outstanding Lease Hold Balance

The trade and other payable from exchange transactions balance of Kshs. 659,831,000 also includes an amount of Kshs. 27,000,000 in respect of leasehold. Available information indicates that on 12 August, 2011 Kisii University College entered into lease agreement with the defunct Gusii County council for Kshs. 45,000,000. The latest Payment of Kshs. 600,000 was made 11 July, 2012 resulting to a total payment of Kshs. 18,000,000 hence a balance of Kshs. 27,000,000 which has remained outstanding for more than seven (7) years.

The Management informed the Committee that they have made substantial efforts and paid Kshs.18 million leaving the current balance and that they are committed to settle the balance as soon as the funds become available.
The Committee ordered that the balances should be cleared in one year and directed the auditor to report progress.

7. Budgetary Control and Performance

The Committee resolved to address this issue with the Cabinet Secretary, Ministry of Education when he appears before it.

8. Property, plant and Equipment – Construction of ICT Village, Multipurpose Lecture theatre and Tuition Block

The statement of financial position reflects a balance of financial position of Kshs 3,059,408,000 under property plant and equipment which, as disclosed in note 15 to the financial statements, includes additions to work in progress (WIP) made during the year amounting to Kshs.216,176,000. Review of documents relating to the projects indicated that the approved completion time for the projects was 31st December 2019. However physical verification on 12th November 2020 on the three projects namely construction of ICT village, multipurpose lecture theater and tuition block revealed that the projects were incomplete. Power was not connected, the buildings had cement flooring instead of ceramic tiling's as per the bills of quantities while construction of the car park and walkways had not started. Consequently, the value for money of Kshs. 216,176,000 on work in progress on the delayed projects for the year ended 30 June 2020 could not be confirmed.

The management said that they agree with the observation of the auditors that the projects have taken a long to complete.

The Committee resolved to conduct a site visit to ascertain raised concerns on the project at a date to be communicated later during which the contractor should be present. The Committee also directed that all documentation of the three projects should be availed before the visit.

9. Trade and other payables from exchange transactions- statutory deductions

The statement of financial position reflects a balance of Kshs.659,831,000 under trade and other payables from exchange transactions which as disclosed in note 17 to the financial statement includes an amount of Kshs.337,792,000 in respect of other university staff pay and deductions .The statutory deductions which included pay as you earn (PAYE) of Kshs.23,255,697, pension fund deductions of Kshs.183,953,791 and Sacco deductions of Kshs.22,464,786 all totaling Kshs.229,674,274 were not remitted to the relevant bodies and have been outstanding for a long time .Non-remittance of the statutory deductions is a breach of the law which may attract heavy penalties and interests for compliances.

The university management stated that during the year under review, part of the outstanding payables includes unremitted statutory deductions due to lack of enough funds. However, despite the existing financial challenges the university management has put in measures and ensured that the outstanding payables are paid on time.

The Committee directed the management to ensure the balances are cleared within one year. The Auditor to report in the next audit.

10. Staff regional Diversity

This was a recurring paragraph therefore the Committee maintained its position.

FY 2020/2021

The following were recurring paragraphs, so the Committee maintained its position:

1. Non-Disclosure of material uncertainty in relation to sustainability of services
2. Long outstanding receivables from exchange transactions.
3. Long outstanding trade and other payables from exchange transactions.
4. Budget and Budgetary performance.
5. Stalled Capital Projects
6. Non-compliance with law on fiscal responsibility wage bill
7. Non-compliance with Law on Ethnic Composition

8. **Appointment on acting positions**

Audit verification of staff of files and payrolls revealed that eight (8) members of staff had been appointed to acting positions at the University for a period beyond the stipulated six (6) months. Some officers had served on acting capacity for a period exceeding six-two (62) Months. The management therefore contravened Section C. 14(1) of the Human Resource Policies and Procedures Manual for more than six Months. In circumstances, the Management was in breach of the law.

The university management replied that they are well ceased of the matter and necessary remedial action was initiated.

The Committee severely reprimanded the accounting officer and the University Council.

9. **Lack of ICT Continuity and Disaster recovery plans**

During the year under review, the University operated without an approved Information System Disaster Recovery Plan and a Business Continuity plan contrary to the Government ICT Standard ICTA-3.002:2019 which requires ministries, counties, and state agencies to develop, implement and maintain business continuity and disaster recovery plan.
Consequently, any disruptive event affecting the information system may render the University unable to recover the lost data or continue operating normally.

The University management stated that there is currently an offsite backup storage that periodically mirrors a full backup of the ERP system database. Together with this, the University has in place an Information Security Management System (ISMS ISO 27001) team that has undertaken documentation of an Information Security Policy which is currently in draft format pending management review and approval. The draft policy highlights the area of business continuity and once approved will guide development of a business continuity and disaster recovery plan.

The Committee directed the VC to ensure compliance.

10. **Ownership of software Licenses and IT technical support**

A walkthrough of University IT system revealed the University does not have license for the information technology applications in use. Further some computers cannot receive security updates because the installed operating system is no longer supported by the service provider.

In circumstances, lack of ownership for software license and IT technical support exposes the University to loss of data.

The University management said that it has in its 2023/2024 ICT Department Annual Procurement plan and budget allocation a provision for Microsoft Office 2016 (KMS) 500 Users and Windows 10 Microsoft enterprise edition volume license key (500 users). The acquisition of these two packages is intended to solve the challenge on ownership of software licenses.

3. RONGO UNIVERSITY

FY 2018/2019

The following issues were reported as having been resolved:

1. **Revenue from exchange transactions**
2. **Staff Advances**
3. **General Expenses**
4. **Incomplete Water Treatment Project**
5. **Failure to comply with A Third Net Salary Rule**

The management responded as follows to the audit queries raised:

6. **Council Expenses**

Included in the council expenses amount of Kshs. 15,484,833 reflected in the statement of financial performance are payment totaling Ksh. 1,210,045 which were not adequately supported by relevant documents including car or taxi hire receipts for journeys made by Council Members while attending Council meetings.

Consequently, the propriety and validity of the expenditure of Kshs. 1,210,045 could not be confirmed.

The management informed the Committee that at the time of audit, some Council members had not submitted their accounting documents for audit. However, they were later submitted and have been attached. The University management committed to always follow up with Council members to ensure the documents are provided on time.

The Committee cited the finance officer for incompetence and directed that no further payment should be advanced to the council member until they have surrendered necessary documents.

7. **Failure to disclose material uncertainty in relation to sustainability of services**

During the year ended 30 June, 2019 the University recorded a deficit of Kshs. 20,691,542. In addition, the total current liabilities balance of Kshs.366, 807,071 exceeded the total current assets balance of Ksh. 319,107,108 resulting into a negative working capital of Ksh. 47,699,963 as at 30 June, 2019. This precarious financial position is an indication of the existence of a material uncertainty which may cast significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due in absence of financial support from the government. However, the material uncertainty in relation to sustainability of services and any mitigation measures put in place by the university management to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

The Management informed the Committee that the University Council initiated the process of reforms to rationalize staff, reduced the number of Schools and departments and removed programs that are poorly subscribed in order to bring down the unsustainable wage bill. This is expected to free money which can be used to pay University debts.
The University Management requested the Government to increase its capitation, in order to cater for increased employee expenses brought about by the signed 2017-2021 CBA's.
Other measures include the increase of research activities, enhancing existing and initiating additional income-generating activities.

The Committee directed the auditor to confirm sustainability and report progress.

8. **Construction of Lecture Halls**

The University entered into a contract with a contractor on 15 December, 2016 for the construction of Lecture Halls at a contract sum of Kshs.15, 417,264. The project was to be carried out within 24 weeks and be completed by June, 2017. However, physical verification in October, 2019 revealed that the project was not complete and no request for extension was made by the contractor after the expiry of the contract period.

In the circumstances, there is no value for the expenditure incurred on the project.

Management Response

The project was being funded by internally generated funds and hence, was progressing as and when funds were available. The delay in completion was because of cash flow challenges. However, the project was completed and the Lecture Halls are now in use.

The Committee resolved to conduct a site visit and directed the management to ensure that the management provides documentation relating to the project from inception.

9. Un-Remitted Statutory deductions

As disclosed in Note 19 to the financial statements, included in the payables from exchange transactions balance of Kshs.333, 004, 482 reflected in the statements of financial position are payroll creditors of Kshs. 135,163,786 which include unremitted Pay As You Earn (PAYE) deductions of Kshs.117, 947,531. No explanation was provided for failure to remit PAYE deductions to the Kenya Revenue Authority as required by Section 130 of the Income Tax Act which states that Pay As You Earn deducted from employee's earnings should be remitted by the tenth day of the month following the deduction. Tax offences and non-remittance of statutory deductions can attract punitive penalties and interest which would be an unnecessary cost to the public.

Management Response

Unremitted PAYE deductions of Ksh 36,157,085 were occasioned by inconsistent funding as indicated in the financial statements. This was worsened by the fact that salaries as increased by SRC are not adequately funded. However, the University Management has since cleared the amounts owed.

The auditor informed the Committee that provident fund was still outstanding thus the Committee to direct that this should be settled within one year.

10. Casual Employees

The statements of financial performance reflect employee costs of Kshs. 653,018,521 which, as disclosed in Note 5 to the financial statements, includes salaries and wages totaling Kshs. 307,789,2777 of which an amount of Kshs. 15,210,832 was paid to ninety-one (91) casual workers. A review of the payroll revealed that the casual employees had been in service with the University for more than three (3) months contrary to the provisions of Section 37(b) of the employment Act.2007 on conversion of casual employment to term contract. The University Management was therefore in breach of the law.

The University management asserted that it engaged casual workers to supplement the permanent staff. This is because funding could not allow for recruitment of permanent staff while the wage bill remains a major challenge. The university through reforms addressed the problem in the financial year 2023/24. The casuals were disengaged through redundancy in accordance with the law.

The Committee recommended that the Vice Chancellor be cited for ignorant, negligence and incompetence and that in the next audit there should be notable change and that documents be submitted in time.

11. Regional Diversity

A review of personnel records and the main payroll revealed that majority of the University staff were from one dominant ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public establishment shall seek to represent the diversity of the people of Kenya in employment".

The University Management maintained that the University is an equal-opportunity employer. Non-compliance with ethnic composition was brought about by the inheritance of staff from the former Moi Institute of Technology and the University is progressively reducing the dominance of one ethnic group for example between 2012 – 2023 the ethnic balance has dropped from 379 to 260.The University has put in place measures to ensure that future recruitments address this law without any discrimination.

The Committee directed the auditor to report progress in the next audit.

FY 2019/2020

The following were recurring paragraphs therefore the Committee upheld its position

1. **Undisclosed material uncertainty in relation to the sustainability of service**
2. **Unsupported Council Expenses**
3. **Payables from Exchange Transactions – Payroll Creditors**

The management responded as follows to the audit queries raised:

4. **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues nor 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.

The Management replied that at the time of audit, the University had not yet received the audit report. However, management has been addressing the issues raised by the Office of the Auditor General including putting in place mitigation measures.
The Auditor informed the Committee that the university is now compliant.

5. **Non-Compliance with the Public Sector Accounting Standards Board's requirements**

The statement of net assets indicates the header "as at" 30 June, 2020 instead of year ended 30 June, 2020, the statement of financial performance in Note 25 reflects gain on disposal of motor vehicles amount of Kshs. 506,500 which defers to the respective Note 25 which reflects litigations, the statement of financial position reflects cash & equivalent instead of cash and cash equivalents. This is contrary of Public Sector Accounting Standards Board (PSASB) reporting template issued for the year 30th June, 2020. In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

The management responded that this was an error of omission that has since been corrected. The University is committed to implementing Public Sector Accounting Standards Board's requirements as prescribed.

The Committee recommended that the finance officer should be cited for incompetence.

6. **Non-Payment of Part-Time Lecturers**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects payables from exchange transactions totaling to Kshs. 271,234,494. The balance includes an amount of Kshs. 60,812,755 owed to part time lecturers out of which an amount Kshs. 10,852,360 has been outstanding since 2013. This is contrary to employment Act, 2007 (17) which requires that an employer pays the entire amount of the wages earned by or payable to an employee in respect of work done by the employee. Consequently, the Management is in breach of the Law.

Management Response

The management informed the Committee that the University almanac overlaps into two financial years hence part-time claims are made after the semester and in the subsequent financial year. The claims are paid from internally generated income and hence are affected by liquidity challenges. The University has significantly reduced part-time creditors by increasing the workload to full-time lecturers and commits to settling the claims as made.

The Committee advised the management to ensure that the debts are cleared.

7. Non-Compliance with the law on academic expenses

As disclosed Note 10 to the financial statement, the statement of financial performance reflects academic expenses totaling to Kshs. 64,042,389. The balance includes graduation expenses cash purchases amounting to Kshs. 2,128,743. This is contrary to section 106 (2) (b) of Public Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer of procuring entity to ensure that request to quotation is given to as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible.

Management Response

The University follows the Public Procurement and Asset Disposal Act 2015 and Regulations. In case of direct procurement, quotations are normally sought from suppliers, and evaluated accordingly. LPO/LSO, and or Imprest in case of cash purchase is then used as a procurement method but through request for quotations. This is only in exceptional cases e.g. during graduation time or abrupt government official visits with express or implied requirements and limited time. However, the university uses request for quotation in such circumstances.

The Committee recommended that the Finance Officer be surcharged, payable within three months.

8. Non Compliance with law on ethnic Composition

This was a recurring paragraph therefore then Committee maintained its position.

FY 2020/2021

The following issues were reported as resolved:

1. **Unsupported change in the capital investment fund**
2. **Undisclosed material uncertainty in relation to the sustainability of service**
3. **Unresolved prior year Matters**
4. **Student debtors**
5. **Lack of approved staff establishment**

The following were recurring issues therefore the Committee maintained its earlier position:

6. **Noncompliance with law on ethnic composition**
7. **Failure to Remit Statutory and Other Deductions**
8. **Nonpayment of part time lecturers**
9. **Delay in completion of water treatment plant**
10. **Unsupported extension of contract for the construction of library**

The management responded as follows to audit queries raised:

11. Unsustainable wage bill

The statement of financial performance reflects employees' costs of Kshs. 761,234,961, as disclosed under Note 5 to the financial statements. The amount constitutes 85% of the total receipts of Kshs. 898,458,658 comprising revenue from both exchange and non-exchange transactions and capital grants. This contravenes Regulation 26(1) (a) of the Public Financial Management Act (National Government Regulations), 2015, which limits the expenditure on wages and remunerative allowances to 35% of the total receipts.

In addition, the University spent the amount of Kshs. 761,234,961 on employee costs against a budget figure of Kshs. 751,359,461 resulting in an over-expenditure of Kshs. 9,875,500. No explanation was provided for the excess expenditure incurred on employees cost during the year under review.

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

Management Response

The Public Service Commission report of 2021 indicated that Rongo University was overstaffed by 137 members and this contributed to the high wage bill. The Government has also signed 2 National CBA's, resulting to increased salaries. However, funding has never been commensurate to the salary increments. Council has addressed this issue by doing the following:

a. Harmonized academic programs and reduced the number of programs to reduce Part-Time costs
b. Increased work load from 6 courses per lecturer per year to 8 courses.
c. Reorganized schools from 6 to 4 and administrative units from 33 to 26 to reduce operational expenses.
d. Reduced academic departments from 15 to 11
e. Dropped poorly prescribed courses; and
f. Declared staff redundancy and reduced the number of staff. The university will monitor the wage bill to ensure sustainability in compliance with Government directive

The Committee directed that the Auditor should verify and report back to the Committee.

9. Work in Progress

9.3 Delay in completion of twin workshops, classrooms and office block at Kakrao technical and vocational college

Included in the Mentee Institution's work in progress of Kshs. 52,166,346 is an amount of Kshs. 46,214,052 relating to Kakrao Technical and Vocational College. Review of records revealed that Rongo University was mandated to mentor Kakrao Technical and Vocational College, a new institution, by undertaking construction of twin workshops, classrooms and offices block at the Institution. The project was awarded to a local contractor at a contract

sum of Kshs. 53,720,833, and was to commence on 23 October, 2014 with an initial expected completion date of 23 October, 2015.
Review of records indicated that the contractor was at eighty-seven percentages (87%) completion rate. Further, a physical verification carried out in January, 2022 revealed that the project remained incomplete and the contractor was not on site.
In circumstances, the propriety and value for money on expenditure of Kshs. 46,214,052 could not be ascertained and the delay in completion of the project has affected service delivery to the public.

Management Response

The project is being co-funded by The Ministry and Suna East NG-CDF. Currently the project is at 95% complete. Completion of the project awaits release of Ksh 7.5 million from NG-CDF from Suna East Constituency to enable completion of the project. However, the project is partially complete, handed over and is in use.
The Committee resolved to visit the site and ascertain issued raised in the audit report.

4. RAMOGI INSTITUTE OF ADVANCED TECHNOLOGY

FY 2018/2019

The entity was reappearing with the former principal to respond to the following outstanding query:

1. Failure to charge Tax on Board of Governor's Expenses

Note 11 to the financial statements reflect Board of Governors' (BOG) costs amounting to Kshs 2,312,500.However,the Management did not charge and remit due taxes totalling Kshs.303,900 on allowances and benefits paid to the Board Members during the year under review contrary to income Tax Act.
Consequently, the management was in breach of the law.

The management acknowledged the observation and stated that at the time when these payments were made it did not occur to them that they attract taxes. The payments were considered refunds for transport incurred by Board of Governors.

The committee recommended that the Board of Governors should be surcharged. In addition, the finance officer was reprimanded severely and cited for incompetence.

5. TOM MBOYA UNIVERSITY

FY 2018/2019

The auditor reported the following issues as resolved:

1. **Salaries for Seconded Staff from Maseno University Kshs. 46,405,334**
2. **Non-Use of Official Vehicle allowance Kshs. 1,100,000**

FY 2019/2020

The auditor reported the following issues as resolved:

1. **Unsupported Council Expenses**
2. **Salaries for Seconded Staff from Maseno University**

The Committee resolved to address the issue of Budgetary Control and Performance with the Cabinet Secretary in the Ministry of Education since it was a cross cutting issue in all institutions.

The management responded as follows to the following issues:

1. Staff Regional Diversity

Review of employee records and payroll details revealed out of one hundred and eight (108) employees, fifty-seven (57) employees or 53% were from the dominant community in the County. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one third of its staff from the same ethnic community.
Consequently, the College was in breach of the Law.

The management informed the Committee that the University College inherited a non-diverse workforce from its predecessor, Homabay Agricultural Training College and that since its establishment, the recruitment process has taken into consideration need for diversity and there has been significant progress in ensuring that there is diversity in the workforce and diverse ethnic communities and groups including minorities and marginalized are represented.

Diversity has been achieved at both teaching staff and middle level administrative staff except for support staff and this is due to high uptake of most jobs at this level by the locals.

It was noted that the university is on the right trend and as such, the Committee directed that compliance should be ensured.

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2. Lack of Functional Internal Audit Unit.

The University College has an Internal Audit Unit which is not fully functional as it is manned by only one officer contrary to the University's staff establishment which requires that the internal audit be manned by Five (5) officers headed by the Chief Internal Auditor. Lack of a functional Internal Audit Unit may lead to weak internal controls resulting in loss of public funds.

The management in their response maintained that the internal auditor does pre-auditing of all payments in order to reduce the risk on the loss of public Funds and he is involved in the systems Audit of all functional departments and submits quarterly reports to the Audit Committee of the Council. In addition, the University advertised and is in the process of recruiting additional internal Auditors subject to approval and allocation of additional funds by the National Treasury.

2020/2021

The following were recurring paragraphs therefore the Committee maintained its position:

1. **Budgetary Control and Performance**
2. **Non-Compliance with Law on Ethnic Composition**

The Following issues were reported as resolved:

3. **Delayed Confirmation of Employment**
4. **Lack of Approved staff establishment**

6. JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

FY 2018/2019

1. Over-payment of Professional and Legal Services

The statement of financial performance reflects an expenditure of Kshs 384,639,687 under the general expenses which, as disclosed in Note 9 of the financial statements, includes an amount of Kshs 13,939,151 relating to professional and legal services. The latter balance includes an amount of Kshs 4,640,000 paid to a law firm. Available information indicates that the University entered into a contract with the law firm in 2015. The law firm was to represent the University in Civil Case No. 271 at Kisumu High Court and arbitration proceedings between the University and a contractor at a cost of Kshs 6,814,515 and Kshs 10,000,000 respectively totalling to Kshs 16,280,000. A review of the financial records submitted for audit indicated that the University made two different payments of Kshs 2,320,000 each vide Cheques No. 21442 and No. 21566 dated 19 March, 2019 and 29th March, 2019 respectively all which were in respect to the same final fee note of Kshs 2,320,000 dated 19 October, 2018 resulting to duplication of payments. Although the University sought refund of the overpaid amount from the law firm on 27 August, 2019, the law firm has not refunded the amount as at 26 October 2020. Additionally, the overpayment has been treated as expenditure instead of distinctly reported in the financial statement as other debtor.

Consequently, the accuracy and propriety of professional and legal services expenditure of Kshs 13,939,151 for the year ended 30 June, 2019 could not be ascertained.

The management informed the Committee that the University wrote to the law firm, Olel, Onyango, Ingutiah & Co requesting clarification of the amount that had been paid vide the two cheques No. 21442 and No. 21566.

The University had appointed the law firm to represent it in two cases:

i) Kisumu High Court Civil Case No. 271 of 2015 between the University and Sasah Contractors, where the contractor had sued the University for Kshs 271,000,000 for breach of contract. The agreed fees was Kshs 6,814,515.
ii) Arbitration between the University and Sasah Contractors, where the agreed fees amounted to Kshs 10,000,000.

The payments made by the University as indicated in the audit report, therefore, related to the two different cases that the firm was handling. The payment made on 29th March 2019 was for the Kisumu High Court Civil Case No. 271 of 2015, while the amount paid on 19th March 2019 was for the arbitration case. The payments were made on account to reduce the fees that had been agreed between the University and the law firm. There was, hence, no double payment.

The amount was treated as an expenditure because based on the clarification given above it was not deemed as an overpayment and hence was not a refundable amount.
The amount was thus expensed within the same financial year as it related to the year in which it was paid.
The Auditor confirmed to the Committee that there was no loss of money and was thereby ordered to confirm payment with the Law Society of Kenya and report back.

2. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions of Kshs 141,893,209 which, as disclosed in Note 18 of the financial statements, includes imprest amounting to Kshs.5,591,015 outstanding as at 30 June, 2019 which was not supported by any duly executed imprest warrants. This imprest balance includes long outstanding staff imprest of Kshs 2,775,046 going as far back as 2015 contrary to Section 93(6) of the Public Finance Management (National Government) Regulations, 2015 which states that in the event the imprest holder fails to account for the imprest on the due dates, the Accounting Officer shall take action to recover the amount fully from the salary of the defaulting officer with an interest at the prevailing Central Bank of Kenya rates. Further, some officers were issued with more than one imprest, contrary to Section 94(c) of the Public Finance Management (National Government) Regulations, 2015. No explanations were provided for these anomalies.
The Management was in breach of the Regulations.

The management said that the University issues imprests based on duly processed and approved imprest warrants. The impressts in the audit report were supported by imprest warrants, which they have attached as evidence.
The outstanding imprests of Kshs 2,775,046 related to staff that had terminated their services with the University and who at the time of the audit, had not cleared with the University, and hence the imprests that they had taken before separation with the University were still outstanding. The staff have since cleared and surrendered the imprests.
They also have recovered unsurrendered imprest through the payroll for active staff, who did not properly account for their imprests.
The University has resolved the issue of staff having more than one imprest through the implementation of a new ERP which does not allow staff to apply for a second imprest if the first one has not been surrendered.

The Committee requested the auditor to provide a list of all staff with outstanding imprests to the Vice Chancellor to allow recovery of the amounts and report to the Committee once this is done.

FY 2019/2020

The Committee maintained its position on the following issues:

i. **Un-surrendered Staff Imprests**

1. **General expenses/ Dinner allowance**

The statement of financial performance reflects an expenditure of Kshs 263,411,138 under the general expenses which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs 55,250 being dinner allowance paid to an officer involved in preparation of data for the Commission for University Education within the University precinct contrary to Section 13.11 of the University Collective Bargaining Agreement 2013-2017 which states that meal allowance shall be paid to members of academic staff working out of their duty stations where half subsistence allowance is not paid.

Consequently, the payment of the dinner allowance of Kshs 55,250 was, therefore, irregular.

The management informed the Committee that the payment of meal allowances to staff in the University is guided by the Collective Bargaining Agreements that the University has signed with the various unions representing staff working in the University.

The payment of Kshs. 55,250 was made in accordance with the provision of the CBA with KUSU. The officers involved were administrative staff who were preparing the Self Evaluation Report (SAR) audit of the institution by the Commission for University Education. The payment was in order since the officers worked past the normal university working hours, and were entitled to dinner/meal allowance as per the Collective Bargaining Agreement.

The Committee resolved that the accounting officer then be cited for incompetence. In addition, he should be surcharged the amount paid

2. **Non-compliance to the Employment Act a third rule**

A review of the payroll records indicates that fifty-six (56) employees earning total basic salary of Kshs 5,873,069 earned net salary of Kshs 1,142,227. The net salary was lower than one-third of their basic salaries of Kshs 1,957,689 by Kshs 815,462. This is contrary to the Employment Act 2007 Section 19(3), which does not permit employees to commit their salaries in excess of two-thirds of their basic salaries.

Consequently, the University was in breach of the Law.

The management in their reply said that during the financial year, the University was not running an integrated payroll system. There were incidences of staff earning salaries below one third of their salaries mainly occasioned by the staff instituting payroll deductions for loans and other advances, which affects their net pay without the consent/authority of the University, for example, Insurance, SACCO and Benevolent Fund deductions.

In order to deal with the issue, the University Management took action to ensure that there was no further commitment of staff salary below a third of their basic salary through the implementation of an ERP System. The ERP system was implemented from the end of the financial year under review and this has resulted in the matter being addressed.

The commitments of staff which were beyond the one-third rule before the implementation of the ERP are gradually being phased out and once cleared there will be no staff not complying with the rule.

However the auditor noted that the ERP system is still not very effective and therefore the Committee ordered the management to tighten up the gaps and asked the Auditor to confirm effectiveness in the next audit.

FY 2020/2021

The issue of student debtors was reported resolved.
The committee also resolved to raise the query on budgetary control and performance with the cabinet Sectary, Ministry of Education when he appears before it. This was occasioned by the fact that it was a cross cutting query in many institutions.
The management responded as follows to the remaining audit queries:

1. **Revaluation of Fully depreciated Assets in use**

The statement of financial position reflects property, plant and equipment balance of Kshs. 3,263,699,919. Included in this balance are fully depreciated assets with a total cost value of Kshs. 190,871,988. Although the assets were still in use, the University had not revalued them as required. Further, review of the fixed assets revealed impaired and obsolete assets with a historical cost of Kshs. 29,043,849. No disclosure has been made in the financial statements on the same.

The management informed the Committee that the University plans to revalue the assets in the Financial Year 2023/2024. This revaluation could not be done before because of budgetary constraints.
The impaired and obsolete assets of Kshs 29,043,849 were disclosed in the financial statements for the year ended 30th June 2021 under Note 23 on Property, Plant and Equipment. An extract of the financial statements as evidence of the disclosure that was made was attached.
Further, the management said that the disposal of the assets noted in the audit report will be completed in FY 2023/2024. This is because some of the items that we tendered were not responsive and hence we will use other disposal methods authorized by the law. However, in FY 2022/2023, the University disposed of fixed assets with a cost of Kshs 10,600,000 that had been noted in the audit report as obsolete.
The Committee directed the auditor verify and report to the Committee.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/211: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 01:51pm.

SIGNED: .... DATE: 22/11/23.
(CHAIRPERSON)

MINUTES OF THE 51ST SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 16th AUGUST, 2023 AT BEST WESTERN HOTEL, KISUMU COUNTY AT 2.30 PM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Thaddeus Nzambia Kithua, MP

ABSENT WITH APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Maurice Kakai Bisau, MP
4. Hon. Tonui Joseph Kipkosgei, MP
5. Hon. Moses Kirima Nguchine, MP
6. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE
SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer

OFFICE OF THE AUDITOR GENERAL

1. Mr. George Ogola - Deputy Director
2. Mr. Felix K. Itonge - Auditor/Liaison Officer
3. Mr. Edward Okwach - Auditor
4. Ms Caroline Ndung'u - Senior Auditor

KISUMU NATIONAL POLYTECHNIC

1. Ms Catherine Kelonye - Chief Principal
2. Mr. Paul Maher - Finance Officer
3. Mr. Milton Omollo - Supply Chain Manager
4. Ms. Shamillah Iswa - Internal Auditor

SIKRI TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Evan Omondi - Principal
2. Mr. Herbert Ngaira - Finance Officer

SIALA TECHNICAL TRAINING INSTITUTE

1. Ms. Asha Bakari - Principal
2. Mr. Peter Adoda - Finance Officer

MIN.NO.NA/DAAOSC/PIC-G & E/2023/: PRELIMINARIES

The chairperson called the meeting to order at 2:40 pm with a word of prayer and thereafter asked those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Alfa Ondieki Miruka, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings and matters Arising
3. **Response to the audit queries by various agencies in Nyanza Region;**
   i. Kisumu National Polytechnic;
   ii. Sikri Technical and Vocational College;
   iii. Siala Technical and Vocational College;
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/206: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/207: RESPONSES TO THE AUDIT QUERIES BY VARIOUS AGENCIES

i. SIKRI TECHNICAL AND VOCATIONAL COLLEGE

FY2018/2019

All matters for this financial year were marked as resolved.

FY2019/2020

The following audit query for this financial year was marked as resolved;

a. Lack of internal audit function and an audit committee

The following audit queries for this financial year were marked as unresolved;

a. Presentation of the Financial Statements

The financial statements for the year ended 30 June 2020 presented for audit review reflects the following anomalies in the statement of financial position which had Kshs. 3,949,537 (deficit) and Kshs. 114,368,203 in respect of accumulated reserves and capital fund respectively, both referenced to Note 16 to the financial statements. However, the note relates to administration costs – general expenses and not the two items of the statement.

Management Response

The college submits that while preparing the notes, Note 25 was erroneously labeled as Note 16 in the statement of Changes in Net Assets. The correct position is that Note 16 is Administration cost on page 18 of the Financial Report. Note 25 the capital and reserve on page 20 of the Financial Report. However, Management stated that has put in place measures to ensure the preparation and submission of accurate financial statements that are in compliance with the prescribed financial reporting template.

The Committee cautioned the Finance Officer and directed the Auditor to confirm compliance in the next financial year.

b. **Accuracy of Financial Statements**

The statement of changes in net assets reflects Kshs. 17,073,363 in respect of net surplus for 2018/2019. However, the Management did not provide supporting schedules and computation for the amounts. Further, the statement of changes in net assets reflects an amount of Kshs. 6,712,003 in respect of development grants which was not supported by ledgers and supporting schedules for the same. Consequently, the accuracy and completeness of Kshs. 47,073,636 and Kshs. 6,712,003 changes in net assets for the year ended 30 June 2022 could not be confirmed.

Management Response

Management stated that it regrets the error in carrying forward the accumulated surplus balances to the financial statements. However, proper internal review mechanisms have been instituted to ensure the preparation of accurate and consistent financial statements before submission to the Office of the Auditor General. Further, the grant of Kshs.6,712,003 was received on 20th May, 2019 and utilized for operational expenditures.

The Finance Officer was cited by the Committee for incompetence after he submitted his work with errors.

c. **Undisclosed Property Plant and Equipment**

The statement of financial position as at 30 June, 2020 reflects Kshs. 142,973,727 in respect of property, plant and equipment. Review of the asset records and physical verification of institute's assets revealed that the institution owned computers, furniture, vehicles, tractors, motor cycles and other assets whose values were not included in the assets register, and were also not disclosed in the financial statements, contrary to Paragraph 27 of International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity. Consequently, accuracy and completeness of property, plant and equipment of Kshs. 142,973,727 as at 30 June 2020 could not be confirmed.

Management comments (Response)

The management admitted to the query and incorporated all asset values in the register through a joint exercise with Public Works Office.

The Committee directed the Auditor to ensure compliance by the management in the next audit cycle.

d. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs. 85,934,000 and Kshs. 44,546,876 respectively resulting in a shortfall of Kshs. 41,387,124 or 48% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 85,934,000 and Kshs. 48,856,667 respectively resulting in an under performance amounting to Kshs, 37,077,333 or 43%.

Management Response

During preparation of FY2019/2020 budget, the college anticipated receiving operational grant of Kshs.40,613,000. (See annexed approved budget page 3). However, only Kshs.30,609,072 was received, leaving a balance of Kshs.10,153,190 not received. This led to under performance in both revenue collection and as a result low absorption in expenditure.

The Committee resolved to invite the Principal Secretary of the Ministry of Education to address this cross-cutting issue in almost all institutions.

e. **Non-compliance with Law on ethnic composition**

During the year under review, the total number of employees was twenty-seven (27) out of which, twenty-one (21) or 78% of the total number were members of the same ethnic community. This is contrary to sections 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have, more than one-third of its staff establishment from the same ethnic community."

The audit was conducted in accordance with ASSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Management Response

The management stated that in the selection and recruitment of the remaining 27 employees that were engaged by the Board of Governors, the college exercised fair competition subject to paragraphs (h) and (i) of Article 232 of the Constitution of Kenya 2010 and section 7 of the National Cohesion and Integration Act 2008.

The following therefore forms the composition of the 27 employees of the BOG in reference to the above criteria.

i. Gender composition (Female 09(33.33%), male 18(66.67%)
ii. PWDs Composition 6 (22.22%)
iii. Ethnic composition: Maasai 1(3.70%), Kisii 6(22.22%), Luhya 1 (3.70%), Luo 19(70.37%)
iv. Regional balance comprising employees of various counties e.g.Kisumu 2, Homabay 16, Kisii 4, Nyamira 2, Kakamega 1, Narok 1, Migori 1etc as indicated in the staff data provided.

The Committee directed management to strictly adhere to recruitment laws in terms of gender and ethnic diversity.

f. ***Lack of Internal Audit Function and an Audit Committee***

During the year under review, the institution did not have an established internal audit unit to assure the state of risks, mitigation measures and controls contrary to Public Finance Act, 2012 section 73 (1) which requires every national government entity to ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of Accounting Standards Board.

Management comments (Response)

The management stated that it had taken steps towards the establishment of the functions as follows;

i. Establishment of the Audit and Risk Management Committee of the Board
ii. Capacity Building of the Audit and Risk Management Committee of the Board
iii. Engagement of an Internal Auditor
iv. Development of Policy documents (Audit Charter and Audit Work plan)

FY 2020/2021

All audit queries for this financial year were marked as recurrent from the previous years.

ii. KISUMU NATIONAL POLYTECHNIC

FY 2018/2019

The Council failed to appear before the Committee to answer to the following audit queries;

a. Unsupported Council Expenses
b. Council Expenses in Excess of Budget

The Committee therefore resolved to invite the Council to answer the above queries on 30th August 2023 in Parliament.

iii. **SIALA TECHNICAL TRAINING INSTITUTE**

FY 2018/2019

The following audit queries were marked as resolved;

a. General Expenses
b. Statement of Comparison of Budget and Actual Amounts
c. Human Resource Function

The following audit queries were marked as unresolved as follows;

a. Cash and Cash Equivalents

Included in the Cash and cash equivalents balances of ksh 8,705,502. are,ksh.1,288 and ksh.65,200 representing cash in hand and Mpesa balances respectively. Cash count certificates for cash in hand and Mpesa statements supporting the balances were not, however, provided for audit. Further, bank reconciliation statements for two bank accounts that were operated by the institute were not provided for audit. In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of ksh.8,705,502 as at 30 June 2019 could not be confirmed.

Management Response

The management stated that that the two bank accounts had recorded minimum or zero transactions respectively for the period under audit review hence they attached bank statements, bank certificates and trial balances and bank reconciliation statements for audit review.

The Committee directed the management to submit the Mpesa statements to the auditor within 2 weeks for verification.

b. Plant, Property and Equipment

The statement of financial position reflects property, plant and equipment balances of ksh.98,881,367 as at 30th June 2019 as disclosed in Note 18 to the financial statements which reflect the following anomalies. According to a letter dated 13th December 2018 from the Ministry of Education confirming the values of certain assets donated by the Ministry to the Institute, the donations included electrical and mechanical engineering training equipment valued at ksh. 52,268,300 and ksh.121,713,496 respectively. However, the values were not incorporated in the property, plant and equipment schedule or included in the balance reflected in the financial statement.

Management Comments

The management stated there was a communication to the Ministry of Education seeking clarification on the values of the building and equipment. The response from the ministry was that the Building Cost was Ksh.97,494,488.72 and the Equipment Cost was Ksh.121,713,495.95 {USD.1,432,368.19 (Exchange rate USD 1=Ksh.84.97361)}

The management had to write back to the Ministry of Education for Clarification on individual values of Equipment but a response had yet to be received by the Institution. Hence the figure of ksh.1211,713,496 could not be included in the PPE schedule without asset classification for depreciation purposes.

The figure of ksh.52,268,300 is for Civil Engineering Equipment which is yet to be delivered to the institute as the Civil Engineering Complex is still under construction funded by AfDB and supervised by the Ministry of Education.

The Committee gave the management six months to obtain its title deed.

<u>FY2019/2020</u>

The following audit queries were marked as resolved;

a. Depreciation and Amortization Expenses
b. Internal audit function
c. Human Resource Function

d. **Receivables from Exchange Transactions**

Note 15 to the financial statements reflects Kshs.11,802,503 concerning student debtors. However, the Institution does not have an effective fee collection policy in place to ensure outstanding fees are remitted by students promptly contrary to Section 64(a) of the Public Finance Management(National Government) Regulation 2015which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public money relating to their Ministries, departments or agencies. Consequently, management is in breach of the law.

Management Response

The management has started the process of developing a fee collection policy, production unit policy and examination policy. However, the student debtor balance is still increasing as a result of delays by the National Government in the disbursement of capitation grants.

The Committee directed the Auditor to confirm compliance in the next audit cycle.

e. **Staff Ethnic Composition**

Note 7 to the financial statements reflect Kshs. 9,997,548 in respect to employee cost. Examination of employee records revealed that out of 100 employees, seventy-two (72), translating to 72% were from one dominant community, contrary to Section 7(1) and (2)of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one-third of its staff from the same ethnic community.

Management Response

The Management stated that it openly advertises for various positions in the local dailies with national circulation. However, interest in the advertised positions is always limited to applicants from the local community due to the non-competitive remuneration packages the Institute can offer.

The Committee directed the management to ensure compliance with the law on ethnic diversity in future appointments.

FY2020/2021

All audit queries recorded during this financial year were marked as recurring.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/208: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 5:05pm. The next meeting will be held on Wednesday 17th August, 2023.

SIGNED: .... DATE: ....22/11/23..............

(CHAIRPERSON)

MINUTES OF THE 50TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 16TH AUGUST, 2023 AT BEST WESTERN HOTEL- KISUMU AT 9:30 AM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Thaddeus Nzambia Kithua, MP
6. Hon. Chiforomodo Mangale Munga, MP

APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. Maurice Kakai Bisau, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Moses Kirima Nguchine, MP
5. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
6. Hon. Tonui Joseph Kipkosgei, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE

SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Moses Mwariri - Legal Counsel II
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derrick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer
9. Mr. Albert Atunga - Serjeant - at- Arms

OFFICE OF THE AUDITOR GENERAL

1. Mr. Dennis Kariuki - Director of Audit
2. Mr. Wilson Maiyo - Director of Auditor
3. Mr. Kennedy waenga - Deputy Director of Audit
4. Mr. Samuel Chege - Principal Auditor
5. Ms Margaret M. Monange - Auditor
6. Mr. Felix K. Itonge - Auditor/Liaison Officer

TREASURY

1. Mr. Mark Ngecho

INSPECTORATE OF STATE CORPORATIONS

1. Mr. Michael Muturi

SIAYA INSTITUTE OF TECHNOLOGY

1. Mr. Daniel Randa Otieno - Principal
2. Mr. Benson Onguso - Senior Finance Officer
3. Mr. Joseph Ochieng - Finance Officer

UGUNJA TECHNICAL & VOCATIONAL COLLEGE

1. Ms Audrey M. Odhiambo - Principal
2. Mr. Evans O. Oyugi - Accountant

NYAKACH TECHNICAL & VOCATIONAL COLLEGE

1. Ms. Risper Odhiambo - Principal
2. Ms. Adeline Ongaki - Accountant

KISII NATIONAL POLYTECHNIC

1. Mr. Daniel Nyariki - Principal
2. Ms Elizabeth Orwasa - Finance Officer

MIN.NO.NA/DAAOSC/PIC-G & E/2023/202: PRELIMINARIES

The chairperson called the meeting to order at 9:35 am. A word of prayer was said followed by introductions. The agenda was confirmed as listed hereunder on the proposal of Hon. Alfa Ondieki Miruka, MP and seconded by Hon. Thaddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings & Matters Arising
3. **Meeting with State Corporations on issues arising from the Audit Reports;**
   i. Siaya Institute of Technology
   ii. Ugunja Technical & Vocational College
   iii. Nyakach Technical & Vocational College
   iv. Kisii National Polytechnic
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/203: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/204: RESPONSES TO THE AUDIT QUERIES FOR THE FY2019/2020 AND 2020/21 BY VARIOUS AGENCIES

1. SIAYA INSTITUTE OF TECHNOLOGY

FY 2018/2019

1. Inaccuracies in the Financial Statements

1.1 Capital Reserves

Included in the statement of changes in net assets is total net assets of Kshs.352,739,878 which includes capital reserves of Kshs.299,805,813 while the statement of financial position reflects capital reserves of Kshs.4,039,106 resulting to unreconciled difference of Kshs.295,766,707.

The Management informed the Committee that the Statement of Financial Position has been amended to correct the anomaly by recasting done that resulted into net assets of KShs.377, 341,285 and as a result capital reserve fund of Kshs.345,432,962 and therefore capital reserve reconciled accordingly.

The Committee recommended that the finance officer be cited for incompetence for failure to comply with the auditor's advice to correct the errors through prior year adjustments.

2. Property, Plant and Equipment

Included in the statement of financial position under Note 25 to the financial statements is property, plant and equipment net book value of Kshs.251, 177,961 as at 30 June, 2019. However, the following anomalies were observed;

i) The opening balance of property, plant and equipment of Kshs.278, 319,065 as at 1 July, 2018 was not supported by an asset valuation report.

ii) The Institution did not keep a comprehensive fixed asset register and the depreciation policy in place was not disclosed in the financial statements. Consequently, the accuracy and validity of property, plant and equipment balance of Kshs.251, 177,961 as at 30 June, 2019 could not be confirmed.

The management said that the valuation report has been availed to explain the opening balance of ksh.278,319,065.00 as at 1/07/2018. The institute has updated fixed asset register and equally provided finance policy where the depreciation percentages for various classes of assets are defined to confirm the accuracy and validity of PPE balances of kshs.251,177,961.00.

The Committee observed that the asset register attached was not only incomplete but also not dated and approved therefore it was inadmissible. The principal was found unfit to hold office.

3. Government Grants

Included in the financial statements under Note 5 to the financial statements is Government grants and subsidies balance of Kshs.31,040,523 which includes conditional grants of Kshs.25,083,973 that differ with the ledger balance of Kshs.18,153,973 resulting in unexplained and unreconciled balance of Kshs.6,930,000. Further, although Note 5 to the financial statements reflects conditional grants of Kshs.25, 083,973, the statement of changes in net assets and Note 23 to the financial statements reflects Kshs.21, 025,742. It is not clear how the difference of Kshs.4, 058,231 has been accounted for in these financial statements.

The management said that the error had been corrected by removing over stated grants which had included 2017/2018 FY disbursement of Kshs.6,930,000 and hence the difference of kshs.6,930,000.00 resolved. Further, Kshs.4, 058,231.00 which was part of unconditional grants had been charged and accounted for under rendering of services i.e. fees from students consequently resolving the difference in reported figures.

The Committee observed that errors in financial statements are intolerable thus recommended that the finance officer and the accounting officer be cited for incompetence.

4. **Net Assets**

The statement of financial position reflects net assets of Kshs.376,763,685 but a recasting of the statement reflects Kshs.377,341,285 resulting in an unexplained difference of Kshs.577,600. Further, total liabilities and capital add up to Kshs.71,317,258 while total assets add up to Kshs.412,711,114 resulting in an imbalance of Kshs.341,393,856.

Consequently, the accuracy and validity of the financial statements for the year ended 30 June, 2019 could not be confirmed. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Siaya Institute of Technology Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

The Management in their reply said that the casting error of 376,763,685.00 had been corrected to kshs.377, 341,285 therefore correcting the difference of kshs.577,500 Consequently liabilities, capital and earnings add up to kshs.412, 711,114 thereby correcting the imbalance of kshs.341, 393,856.

The Committee observed that errors in financial statements are inexcusable thus recommended that the finance officer and the accounting officer be severely reprimanded.

5. Budgetary Control and Performance

During the financial year 2018/2019, the Institute had an approved revenue budget of Kshs.243,149,074 against actual receipts of Kshs.160,212,218 resulting in total underfunding of Kshs.82,936,856 equivalent to 34% of the budget. The significant under-funding negatively impacted on the attainment of the Institute's objectives and also service delivery to the public.

The management said that this budget deficit of kshs.82,936,856 was aright observation since capitation funds (Tuition fees) were not fully disbursed while development grants for the proposed library and tuition complex did not come at all which negatively impacted on the attainment of objectives and service delivery for the period under review.

The Committee resolved to address the issue of capitation with the Cabinet Secretary for Ministry of Education.

FY 2019/2020

The Committee reiterated its position on the following recurring queries.

1. **Comparative Balances**
2. **Unsupported Revaluation of Assets**
3. **Revenue from Exchange Transaction**
4. **Unsupported Receivables from Non-Exchange Transactions**
5. **Budgetary Control and Performance**

The management responded as follows to issues raised by the Auditor General:

6. **Cash Flow Statement**

The statement of cash flow for the year ended 30 June, 2020 reported cash and cash equivalent balance of Kshs.24,669,682. However, recasting of the cash flow statement revealed a closing cash and cash equivalent balance of Kshs.101,666,339 resulting in an unexplained variance of Kshs.76,996,657. In addition, the statement reflects a net decrease in cash in hand amount of Kshs.76,996,657 and not the correct casted amount of Kshs.47,582,237 resulting in an unexplained variance of Kshs.124,578,894. Further, the resultant casted cash and cash equivalent balance of Kshs.101,666,339 varies with the balance reflected in the statement of financial position of Kshs.24,669,682. The statement of cash flow for the year ended 30 June, 2020 also reflects development income of Kshs.68,822,592 disclosed at Note 22 and development expenses of Kshs.47,511,379 disclosed at Note 23(i). However, the development income and expenditure were not supported by documentary evidence and which the Management has not explained. Consequently, the accuracy and completeness of the statement of cash flow for the year ended 30 June, 2020 and the cash and cash equivalent balance of Kshs.24,669,682 reflected in the statement of financial position could not be confirmed.

The management in their reply stated that Cash flow statement had been re done to correct the errors revealed during the audit in 2020/2021 FY and therefore the reported figures are correct. Ledgers had been presented as documentary evidence to support the development income and expenses respectively.

The Committee observed that the correction of the errors was not done on time thus recommended that the management be severely reprimanded.

7. **Unsupported Provision for Bad Debts**

The statement of financial position as at 30 June, 2020 and as disclosed in Note 18 reflects receivables from exchange transactions balance of Kshs.22,014,556. This balance is net of Kshs.15,847,500 in respect to provision of bad and doubtful debts. However, Management has not provided for audit review a debt management policy to support the provision or a Board of Governors approval. Consequently, the accuracy of the receivables from exchange transactions balance of Kshs.22,014,556 as at 30 June, 2020 could not be confirmed.

The management asserted that treatment of capitation funds not disbursed at the end of the Financial Year was a challenge because there was no proper correspondence from the Ministry of Education. During end of the Financial Year closing session with the National Treasury, we were correctly informed that Ministry of Education operates on cash basis of accounting and therefore any undisbursed funds shall never be treated as funds owed by the Government of Kenya. It is in this respect that we excluded the anticipated funds that failed to hit the institution Bank account by 30th June 2020.

The Committee noted that the management did not request for the receivables to be written off through a board approval and directed that be done during this audit cycle. Further the Committee on the advice of the National Treasury was of the view that government institutions should budget based on the receiving trends and operate within that budget but should not consider any undisbursed amounts as receivables.

8. Unconfirmed Depreciation Charge

Included in the statement of financial position as at 30 June, 2020 and as disclosed under Note 23 is property, plant and equipment netbook value of Kshs.332,231,163. However, the Board of Governors had not approved the fixed assets depreciation policy. Therefore, the validity of the cumulative depreciation of Kshs.12,803,079 and the respective depreciation rates per annum could not be confirmed. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.332,231,163 could not be confirmed as at 30 June, 2020.

The management in their response said that Siaya Institute of Technology (SIT) depreciation policy is hived in the Finance Policy having been approved appropriately, thereby authenticating the validity of cumulative depreciation of Kshs. 12,803,079.00.

The Committee directed that institute should regularize with the auditors by close of business that day.

9. Unsupported Retention

Fees The statement of financial position and Note 24 to the financial statements, reflects a balance of Kshs.31,360,613 as at 30 June, 2020 in respect of current liabilities. This balance includes retention fees of Kshs.2,813,761 which were not supported with documentary evidence including the interim payment certificates on projects funded. In the circumstances, the accuracy and completeness of retention fees of Kshs.2,813,761 could not be confirmed as at 30 June, 2020.

The management said that Note 24 reflected a balance of Kshs.31,360,613.00 in respect of current liabilities with retention fees of Kshs.2,813,761.00 and provided interim certificates of payments to justify the reported figure.

The interim certificates had not been received by the auditor therefore the Committee directed that the Auditor confirms them before close of business that day.

10. Misclassification General Administration Cost

Disclosed in Note 14 to the financial statements and reflected in the statement of financial performance for the year ended 30 June, 2020 is general administration cost of Kshs.14,175,334. However, the schedule in support of the administration cost included expenditure on board allowances, extraneous duty allowance and staff salary totaling to

Kshs.300,000. In the circumstances, the accuracy of the general administration cost of Kshs.14,175,334 for the year ended 30 June, 2020 could not be confirmed.

The management said that allowances on BOG accommodation other than taxable allowances and transport were provided for in the approved budget under administrative cost as well as staff honoraria i.e. extraneous duty allowance and not staff salaries. This was the reason for the inclusion and therefore justifying the accuracy of general administration cost of kshs.14,175,334.00 as reported.

It was observed that the BOG expenses should be accounted for separately and not comingled with staff expenses. The Management agreed that this was an error which they have corrected.

11. Improper Disclosure of Assets

The statement of financial position as at 30 June, 2020 and as disclosed in Note 21 reflects mattresses and animals' balances of Kshs.450,000 and Kshs.97,600 Response to examination to the Report of the Auditor-General on Siaya Institute of Technology for the year ended 30 June, 2020 7 respectively However, the mattresses and the animals should have been classified under inventories and biological assets respectively. This is contrary to requirements of IPSAS 1 on presentation of financial statements and in the circumstances the financial statements do not comply with the prescribed reporting framework.

The management acknowledged that this was an error since we were still at the initial stages of interacting with IPSAS accrual. We noted the fact that separate notes should be provided for very specific classification and corrected the error.

12. **Failure to Deduct Income Tax**

Disclosed in Note 11 to the financial statements and reflected in the statement of financial performance for the year ended 30 June, 2020 is Board of Governors expenses of Kshs.2, 224,240. However, out of the board allowances paid, Kshs.1, 396,500 was on sitting allowances from which taxes were not deducted contrary to Section 5(2)(a) of the Income Tax Act Cap 470 which requires sitting allowances to be taxed at 30% of the gross figure and be remitted to the Commissioner of Domestic Taxes. In the circumstances, the Management was in breach of the law.

The management said that BOG sitting allowances were not paid in tandem with approved rates and therefore were not subjected to 30% tax rate in 2019/2020FY.ie BOG members paid a flat of kshs.13,000 to take care of transport and sitting allowances irrespective of where they came from. This changed in 2020/2021FY when the allowances were reviewed and subjected to 30% tax rates and remitted to the Commissioner of Domestic Taxes.

FY2020/2021

The committee reiterated its position on the following recurring queries:

1. **Inaccuracies in the Financial Statements**
   a) Statement of Financial Performance
   b) Statement of Financial Position
   c) Statement of Comparison of Budget and Actual Amounts

2. **Variances in Capital Reserves and Retained Earnings Balances**
3. **Variances between the Statement of Cash Flows and the Statement of Financial Performance**
4. **Unsupported Revaluation of Assets**
5. **Budgetary Control and Performance**

The management responded as follows to the following queries:

6. Unresolved Prior Year Audit Matters

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.

The management said that issues raised had been resolved except two issues on revaluation report and bad debts policy formulation which are now available for your kind review.

7. Under Staffing of the Institute

During the year ended 30 June, 2021, review of the Institute's organization structure revealed that the Institute has a current staff level of one hundred and ninety-three (193) against the recommended staffing level of two hundred and sixty-three (263) resulting to an under-staffing of seventy (70). This is attributed to the fact that the Institute had planned to recruit part time trainers but was unable to do so due to budgetary constraints. In the circumstances, the Institute may not be in a position to effectively discharge its mandate.

The management said that it has always filed returns with the parent ministry on staffing gaps although very little has been achieved. Attached is a copy of the monthly staff returns for your kind review. The current staffing level stands at 200 with nine (9) new slots given in the July 2023 recruitment thereby reducing the gap to fifty-four (54) according to the Strategic Plan 2019-2024.

The Committee responded that this issue has been addressed with the PS and the same will be communicated to the Cabinet Secretary for Ministry of Education when he appears before the Committee.

8. Non-Compliance with Law on Ethnic Composition

The Institute had one hundred and twelve (112) employees out of whom, ninety-eight (98) or 87.5 % were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community. In the circumstances, Management is in breach of the law.

The management informed the Committee that the Institute is an equal opportunity employer and advertises its vacant positions through the print media and institutes website for access by all eligible candidates. Recruitment is conducted in a transparent manner and on merit. Copies of advertisement and interview reports and attached for your kind review.

The Committee advised the management to deliberately try to balance and ensure compliance with the law.

2. UGUNJA TECHNICAL & VOCATIONAL COLLEGE

FY 2019/2020

The following was a recurring query therefore the Committee maintained its position:

1. **Un-Reconciled Receivables from Exchange Transactions**

2. Unsupported Revenue from Exchange Transaction

The statement of financial performance reflects revenue from exchange transactions amount of Kshs. 4,165,648, which differs with the amount disclosed in Note 2 to the financial statements of Kshs. 4,234,168 resulting in a variance of Kshs. 68,500. Further, the College did not provide supporting schedules and fees register for audit review.

In the circumstances, the accuracy and completeness of revenue from exchange transactions of Kshs. 4,234,148 could not be confirmed.

The management in their response maintained that the revenue from exchange transactions amount of Ksh 4,165,648 and disclosed amount of kshs4,234,168 had a variance of Ksh 68,500.00 due to lack of updated fee register. The management has updated the attached fee register for all the students and going forward accuracy and completeness from the exchange transactions can be confirmed.

The Committee directed that the variance be corrected within one week.

3. Un-Reconciled Employees Costs

The statement of financial performance and as disclosed in Note 5 to the financial statements reflects employees' cost balance of Kshs. 592,000. 00 However, the supporting schedule provided to support the expenditure reflected an amount of Kshs. 494,349 leading to un-reconciled variance of Kshs. 97,652.

In the circumstances, the accuracy of the employees' costs expenditure of Kshs. 592,000.00 could not be confirmed.

The management informed the Committee that there was an omission by the finance officer which has since been corrected and the employee cost was reconciled.

The Committee directed that the Auditor confirms the corrections in the next audit.

4. Property, Plant and Equipment

The statement of financial position as disclosed under Note 13 to the financial statements reflects property, plant and equipment balance of Kshs. 66,109,703, which is net of depreciation charge for the year of Kshs. 1,890,340. However, no valuation report was provided for audit review to determine the value of assets received from the Ministry of Education.

In the circumstances, the accuracy and completeness of the property, plant and equipment totaling Kshs. 66,109,703 could not be ascertained.

The management said that it has initiated the process of contracting a Government valuer to establish the value of the college assets and the ones that were supplied by the Ministry of Education so as to ensure that going forward the accuracy and completeness of the property, plant and equipment can be ascertained.

The Committee directed the Auditor to report in next audit.

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30th June, 2020 reflects a final receipts budget and actual on comparable basis of Kshs. 30,618,100 and Kshs. 5,169,148 respectively resulting to an under funding of Kshs. 24,448952 or 83%. Further, the statement reflects an expenditure budget and actual on comparable basis of Kshs. 30,618,100 and Kshs. 8,080,294 resulting to under expenditure of Kshs. 22,537,806.00 representing 74% of the approved budget.

The underfunding and underperformance affected the planned activities of the college and may have impacted negativity on service delivery to students.

The management said that the underperformance was due to the fact that during the FY 2019/2020 the college did not receive the recurrent grant worth kshs1,000,000.00 as planned and also did not receive capitation grant worth kshs2,385,000.00 there by giving us a deficit of Kshs 3,385,000

The Committee resolved to discuss the issue of capitation with the Cabinet Secretary for the Ministry of Education.

6. Board of Governors Appointment

Review of the Board appointments and Chief Executive Officers' terms of service and entitlements revealed that appointment of the Members of the Board was not done by notice in the official Gazette contrary to Section 8(13) of the Technical and Vocational Education and Training Act, 2013 which states that all appointments under this section shall be done by notice in the Gazette. Failure to give notice of Board appointments in the Gazette may result in Board members serving in multiple Boards which is contrary to Board regulations.

In the circumstances, Management was in breach of law.

The management said that they have communicated to the Principal Secretary State department of TVET and is still awaiting the response given that the role of appointing and gazettement of the BoG lies with the office of the Cabinet Secretary, Ministry of Education.

The Committee resolved to address this issue with the Cabinet Secretary for the Ministry of Education.

7. Failure to Maintain Separate Cash Books

The college opened and maintained two bank accounts with the Kenya Commercial bank. However, receipts and payments were being recorded and accounted for in one cash book instead of operating separate cash books. This has resulted to comingling of funds and may eventually lead to loss of funds.

In the circumstances, the existence of an effective mechanism to safeguard public resources could not be established.

The management in their reply said that they opened the 2 bank accounts A/C NO 126341625 - school fees Account and A/c No 1263709354 Operations Account in 2019 with

Kenya Commercial bank after advice and approval by the Board. However, through the Government directive by the Principal Secretary State department for Vocational and Technical Training the college only operates only one bank account no 1263416225. The other KCB bank A/C No.126370354 is inactive. However upon opening another account separate cash books will be maintained.

8. Lack of an Internal Audit Function and Audit Committee

Review of records revealed that the College did not have in place a functional internal audit unit to appraise the management activities and operations. Further, the College did not have an Audit Committee in place to provide oversight over financial operations and accountability.

In the circumstances, the existence of an oversight alternative plan to ensure proper monitoring could not be confirmed.

The management said that the corona pandemic hit the institution on its second month of operationalization in early March, 2020 when the board was online month old, thus could not have appointed. Further, the appointment of members of the board committees delayed given that the board had not been inducted – this induction took place in November 2020. Immediately after induction the management had in place a functional audit and risk management committee from 18/01/2021. This committee of the Board which oversights the financial operation and accountability of the institution

However management has appointed the internal audit committee and attached are the appointment letters for the said committee.

FY2020/2021

The Committee maintained it position on the following recurring issues:

1. Budgetary control and performance
2. Board of governors appointment
3. Lack of internal audit function
4. Property Plant and Equipment
5. Receivables from Exchange Transactions

6. **Statement of Financial Performance**

The statement of financial performance and as disclosed in Note 2 to the Financial Statements reflects an amount of Ksh.14,960 under revenue from exchange transactions, which relates to tuition fees and other related revenues. However, this amount differs with the amount of Kshs.12, 642,360.00 reflected in the ledger by Kshs. 2,317,924.00. No reconciliation or explanation was provided.

In the circumstances, the accuracy and completeness of the amount of Kshs. 14,960,284.00 reflected as revenue from exchange transactions in the statement of financial performance could not be confirmed.

The management said that the variance of KSHS2,317,924 has been noted and reconciled as per the updated soft and hard copy of the attached analyzed fees register.

However, the Auditor noted that no prior year adjustments made. The Committee thus directed the management to regularize and recommended citing of the accounting office for incompetence

7. **Inaccuracy in the Financial Statements**

The statement of financial position reflects an amount of Kshs. 68,000,043 under capital Reserve Fund, which is indicated as disclosed under Note 13 to the financial statements, however, the Note 13 to the financial statements discloses property plant and equipment movement schedule.

In the circumstance, the accuracy of the capital reserve fund balance of Kshs 68,000,043 could not be ascertained.

The management acknowledged that the error was noted and has been corrected in the subsequent financial year FY 2021/2022.
The Committee recommended that the finance officer be cited for incompetence.

3. NYAKACH TECHNICAL & VOCATIONAL COLLEGE

FY 2019/2020

The following issues were reported as having been resolved:

1. **Inaccuracies and Inconsistencies in the Financial Statement**
2. **Unsupported Cash and Cash Equivalents**
3. **Unsupported Inventories Balance**
4. **Irregular Procurement Under Administrative Expenses**

The management submitted its response to the audit queries for the financial year 2019/2020 as follows:

5. **Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant equipment balance of Kshs.87,871,121 and as disclosed in Note 23 to the financial statements. However, no fixed assets register and ownership documents were provided for audit. In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs.87,871,121 could not be confirmed.

The management informed the Committee that as at the time of the audit no fixed asset register was maintained. However they now have a fixed asset register. The amount in the fixed asset register is Kshs 81,980,729 as 2021/2022 financial year.

The Committee was informed that the register is not in the prescribed format therefore directing that the management ensures that this is corrected.

6. **Unsupported Refundable Deposits from Customers**

The statement of financial position reflects refundable deposits from customers' balance of Kshs.468,363 which includes Kshs.26,400, Kshs.369,190 and Kshs.72,773 on Higher Education Loans Board, examination and student council respectively. However, no supporting documents were provided for audit. In the circumstances, the accuracy and completeness of the refundable deposits from customers' balance of Kshs.468,363 could not be confirmed.

The Principal stated that the refundable deposits were Kshs 26,400 for HELB loan.
The remaining balances were not supported therefore the Committee cited the finance officer for incompetence.

7. Unsupported Expenditure

i) The statement of financial performance reflects total expenses amount of Kshs.7,628,181 which includes expenditure totalling Kshs.1,028,168 which was not supported as follows: i. Included in the payment details of the employment cost is payment to the Board of Governors staff amounting Kshs.64,500. The supporting payment documents were not provided for audit.

The management in their response explained that the payment documents for a payment to the Board of Governors staff amounting to Kshs 64,500 has been provided.

ii) Review of the details provided for audit under activity showed that the entity paid Kshs.72,100 to a participant to attend athletics activities at Kisii Polytechnic. However, no requests or invitation letters were attached for audit.

The management responded by saying that the invitations and requisitions are now available and attached.

iii) A payment of Kshs.162,082 was made to the Principal as a pending bill. This payment was only supported with minutes of the Board of Governors and the payment voucher. However, the payment details including the purpose for this payment were not indicated.

The management informed the Committee that the payment details made to the principal as a pending bill and the purpose had been explained in attached documents.
The above two issue were resolved.

iv) Management spent Kshs.729,286 as administration cost under use of goods and services, all the funds were paid out as cash transactions with no proper accountability of the same in terms of records and approvals by the Management or the Board.

The management informed the Committee that they had attached payment vouchers as proof of the same.
The Auditor informed the Committee that the management had furnished him with supporting documents that morning. The Committee directed him to verify and warned the principal for late submission of documents.

8. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final receipts budget and actual amount on comparable basis of Kshs.56,878,240 and Kshs.9,365,945 respectively resulting to an under-collection of Kshs.47,512,295 or 86% of the budget. Similarly, the College spent Kshs.7,628,181 against an approved budget of Kshs.56,878,240 resulting to an under-expenditure of Kshs.49,250,059 or 69% of the budget. The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the students.

In their response, the management said that they were not funded by the ministry as budgeted, and that they had anticipated to receive Kshs12,500,000.00 as government capitation but received Kshs 3,114,500.00. They were also expecting government development grant which was also not received.

The Committee observed that this was a cross cutting issue in most institutions and resolved to address it with the Cabinet Secretary.

9. Non-compliance with Law on Ethnic Composition

Review of records revealed that, the total number of employees of the College was thirty-five (35) out of which thirty-one (31) or 89 % of the total number were from the dominant community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community. In the circumstances, Management was in breach of the law.

The management said that during this period the institution was still at its inception stage and the college employees were referred to them by our mentor institution however they promise that any future employment to the institution will be made in adherence to section 7(1) of the National Cohesion and Integration Act, 2008.

The committee observed that most accounting officers have disregarded the dictates on the law and stated categorically that the Law must be adhered to.

9. Lack of Approved Staff Establishment

Review of the payroll revealed that the College incurred a wage bill amounting to Kshs.683,800. However, Management did not provide for audit an approved staff establishment and hence it was not possible to determine how the entity was able to determine the optimal number of human resource requirements and deficits if any. In the circumstances, Management was in breach of the law.

The principal said that during this financial year the college did not have an approved staff establishment because the institution was at its inception stage. Currently the institution has an approved staff establishment.

The Committee directed the auditor to scrutinize documents presented and confirm compliance.

10. Non-compliance with Statutory Deductions

Review of accountable documents revealed that Management did not deduct NHIF and NSSF which are statutory deductions. This was contrary to Section 20(1) of the National Social

Security Fund Act, 2013 and Section 15(1)(c) of the National Hospital Insurance Fund Act, 2012. In the circumstances, Management was in breach of the law.

The accounting officer assured the Committee that future deductions and remittance to the statutory bodies will be in compliant to the law as stated above.

The Committee directed the management to provide documents showing compliance to the auditor by close of business that day.

11. Lack of internal Audit Function

The College had not established an internal audit function, contrary to Section 73(1) of the Public Finance Management Act, 2015 which states that every National Government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. In the circumstances, the College did not benefit from the assurance and advisory services from the internal audit function.

The principal informed the Committee that the institution currently has established an internal audit function as per Section 73(1) of the Public Finance Management Act, 2015.

The Committee was informed that the institute is now compliant.

12. Lack of Board Work Plans

During the year, the Council held meetings categorized as full board, special full board and committee meetings. However, the Board did not have an annual board work plan to guide their activities and did not carry out an annual evaluation of its performance at the end of the period. Further, the Board operated without a formal and transparent remuneration policy for board members. In the circumstances, the effectiveness of the Board's performance could not be confirmed.

The management informed the Committee that they did not have an annual work plan for the year, but subsequently there is one in place and that they have attached minutes of the board meeting and the current work plan.

The Committee reprimanded the principal for this irregularity.

FY 2020/2021

The following issues were recurring from the previous year therefore the Committee reiterated its position:

1. **Budgetary control and performance**
2. **Noncompliance with statutory deductions**
3. **Noncompliance with law on ethnic composition**
4. **Irregular appointment of board members**
5. **Lack of internal audit and inactive audit committee**

The management submitted its response to the audit queries for the financial year 2020/2021 as follows:

6. **Inaccuracies in the Financial Statements**

Financial statements Submitted revealed inaccuracies and inconsistencies:

i. Inconsistencies in the notes to the financial statements.

ii. The statement of financial position reflects a balance of KES.3,185,000 in respect of receivables from non-exchange transactions while financial statements reflects a balance of KES.2,685,000 resulting to an unreconciled and unexplained variance of KES.500,000.

The management acknowledged that there was an error during posting and committed that such will not occur going forward.

iii. The statement of financial position reflects KES.1,761,819 in respect of current portion of receivables from exchange transactions balance while financial statements reflects a balance of KES.4,594,319 resulting to an unreconciled and unexplained variance of KES.2,832,500.

The principal said that the current receivables from exchange transactions included Kshs 3,185,000 which had been reported under non exchange transactions therefore it was wrongly posted and that going forward they shall be more careful to avoid such errors of posting.

iv. Further, the statement of financial position reflects Nil balance in respect of property, plant and equipment while Note 17 to the financial statements reflects a balance of Kshs.61,716,670.

The management in their reply said that this was an erroneous omission and going forward they will be more careful while doing posting.

v. Further, the of statement of financial performance reflects fees from students amount of KES.10,535,423. However, the total recomputed amount received and receivable from students was KES.17,818,147 resulting to an unexplained and unreconciled variance of KES.7,282,724.

The management informed the committee that the actual amount of fees from students is Kshs 10,535,414 from the financial statements.

vi. The statement of financial performance reflects use of goods and services, property plant and equipment and employee costs of KES.11,673,129, KES.61,716,670 and KES.2,310,500 respectively. However, review of the supporting documents revealed that the amounts varied with the amounts reflected in the schedules provided for audit.

The principal in her reply informed the Committee that the accurate figure is the figures as per the schedules and they were not in a position to reconcile the figures.

The Committee observed that the errors were inexcusable thus cited the accounting officer for incompetence.

7. **Unsupported Board Allowances**

The statement of financial performance reflects use of goods and services amount of KES.11,673,129, which includes an amount of KES.1,211,458 in respect to Board members allowances. However, review of payment documents and attendance records revealed that Management paid KES.297,500 to board members for meetings not attended.
The management referred the Committee to attached payment vouchers.

The Committee on learning that the minutes, and the attendance register attached were not availed during audit declared them inadmissible and directed that the Board Members who were irregularly paid be surcharged.

4. KISII NATIONAL POLYTECHNIC

The management of Kisii National Polytechnic appeared before the Committee beyond the scheduled time and unprepared, not having the requisite document as requested by the Committee. As a result the Chairperson of the Committee, guided by Standing Order 191 A (1) which states that, ' ***where a witness summoned does not appear, or appears but fails to satisfy the House or Committee, the House or Committee may impose upon the witness a fine not exceeding five hundred thousand shillings, having regard to the witness' condition in life and all the circumstances of the case,'*** imposed a fine of Kshs500, 000 payable within seven (7) days to the Clerk of the National Assembly.

Further, the Committee cited the Principal for incompetence and found him unfit to hold public office.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/205: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 12:30pm.

SIGNED: .... DATE: 22/11/23..........................

(CHAIRPERSON)

MINUTES OF THE 49TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON TUESDAY 15th AUGUST, 2023 AT BEST WESTERN HOTEL, KISUMU COUNTY AT 2.30 PM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Thaddeus Nzambia Kithua, MP

ABSENT WITH APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Maurice Kakai Bisau, MP
4. Hon. Tonui Joseph Kipkosgei, MP
5. Hon. Moses Kirima Nguchine, MP
6. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE
SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer

OFFICE OF THE AUDITOR GENERAL

1. Mr. George Ogola - Deputy Director
2. Mr. Felix K. Itonge - Auditor/Liaison Officer
3. Mr. Edward Okwach - Auditor
4. Ms Caroline Ndung'u - Senior Auditor

RAMOGI INSTITUTE OF ADVANCED TECHNOLOGY

1. Mr. Tom Musati - Principal
2. Mr. George Adero - Finance Officer

RANGWE TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Ezekiel Omollo - Principal
2. Mr. Jeremia Ochieng - Finance Officer

OMUGA TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Fredrick Ouma - Principal
2. Mr. John Oweko - Finance Officer

KAKRAO TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Felix Odhiambo - Principal
2. Mr. Simon Ochieng - Finance Officer

MIN.NO.NA/DAAOSC/PIC-G & E/2023/: PRELIMINARIES

The chairperson called the meeting to order at 3:00 pm with a word of prayer and thereafter asked those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Alfa Ondieki Miruka, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings and matters Arising
3. **Response to the audit queries by various agencies in Nyanza Region;**
   i. Ramogi Institute of Advanced Technology;
   ii. Rangwe Technical and Vocational College;
   iii. Omuga Technical and Vocational College;
   iv. Kakrao Technical and Vocational College
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/199: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/200: RESPONSES TO THE AUDIT QUERIES BY VARIOUS AGENCIES

i. RAMOGI INSTITUTE OF ADVANCED TECHNOLOGY

FY2018/2019

The following audit queries for this financial year were marked as resolved;

a. Cash and cash equivalents
b. Long Outstanding Employee Benefit Obligation

The following audit queries for this financial year were marked as unresolved;

a. **Inaccuracies in the Financial Statements**

The statement of financial performance reflects balances in respect of four items which differ from the amounts disclosed in the statement of cash flows and the statement of comparison of budget and actual amounts. The differences between the three statements have not been reconciled.

The Committee directed the auditor to confirm compliance in the next audit cycle.

b. **Long Outstanding Receivables from Exchange Transactions**

As disclosed in Note 14 to the financial statements, the statement of financial position reflects receivables form exchange transactions balance of Kshs 51,105,197. Review of a schedule on aging analysis showed that the balance included fees arrears and rent debtors totalling Kshs.29, 175,269 and Kshs.1, 153,052 respectively which date back to the financial year 2014/2015 had not been recovered as of 30 June 2019. However, the Management did not explain reasons for not collecting debt or include a provision for bad and doubtful debts in these financial statements.

Consequently, the accuracy and recoverability of receivables from exchange transactions balance of Kshs.51, 105,197 reflected in the statement of financial position as at 30 June 2019 could not be confirmed.

Management response

The Principal informed the Committee that fee arrears were for students who have completed courses with balances. The institute expect to collect the arrears when the affected students come for their certificates. Further, rent arrears balances are from PSC staff some of whom have retired. The matter was reported to the board and recommended for a write-off. The policy on debts was developed in the year 2022.

The Committee directed the auditor to confirm compliance in the next audit cycle.

c. **Unconfirmed Ownership of Property, Plant & Equipment**

The statement of financial position reflects Property, plant and equipment balance of Kshs 1, 679, 796,448. However, the following anomalies were noted with respect to the balance. Further, the valuation report provided for audit showed that the Institute had a 200-acre parcel of land at RIAT Dago. However, the title deed issued to the Institute indicated ownership of 156 acres. Available information indicated that the balance of 44 acres had been subdivided and ownership given to private developers and individuals.

Management Response

The management submitted before the Committee that a fixed asset movement schedule was implemented in the subsequent years and a Policy on depreciation was developed in the year 2022. Further, he confirmed that Kibo's land was disputed, however, the Institute is the true owner and was issued with the allotment letter for the same.

The Committee directed the auditor to confirm compliance in the next audit cycle.

d. **Unauthorized Over Expenditure**

As reflected in the statement of comparison of budget and actual amounts for the year under review, the Institute had an expenditure budget of Kshs.17,429,099 and Kshs 18,761,500 in respect of employees' cost and general expense respectively and incurred actual expenditure on comparable basis of Kshs 20,235,140 and Kshs 23,263,345 resulting to over expenditure of Kshs.2,806,041 and Kshs4,501,845 in respect of the two items. However, there was no evidence to show that management sought necessary approvals before incurring the expenditure. Management was therefore in breach of the law.

Management response

The management stated that the expenditure in employee costs was a result of additional BOG trainers to fill the gap left by trainers who have since retired. The over-expenditure on general expenses was as a result of the provision of meals to students at a subsidized rate.

The Committee directed that moving forward any over-expenditure must be approved by the Ministry of Education.

e. Failure to Charge Tax on Board of Governors' Expenses

Note 11 to the financial statements reflect the Board of Governors (BOG) costs amounting to Kshs 2,312,500. However, the Management did not charge and remit due taxes totaling Kshs.303,900 on allowances and benefits paid to the Board Members during the year under review contrary to the Income Tax Act. Consequently, the management was in breach of the law.

Management responses

The management acknowledged the observation but however, stated that at the time when these payments were made, it did not occur to them that they attract taxes. They therefore agreed to treat this as an allowance and affect the necessary charge.

The Committee directed that the Accounting Officer at the time be surcharged Kshs. 303900 due to incompetence.

FY2019/2020

The following audit queries for this financial year were marked as resolved;

a. Unsupported Inventories Balance
b. Non-Deduction on Retention Fees on Works
c. Unsupported Use of Goods and Services

The following audit queries for this financial year were marked as unresolved;

a. Unsupported Deferred Income

Statement of financial position and Note 22 to the financial statements reflect a balance of Kshs.51, 547,055 in respect of deferred income. However, an explanation on the composition and documentary evidence in support of the deferred income was not provided for audit review. In the circumstances, the accuracy, validity and completeness of the deferred income of Kshs.51, 547,055 could not be confirmed as of 30 June 2020.

Management responses

The Principal stated that the deferred income represented funds received from the Government for the construction of a mechanical engineering workshop and mentee Rachuonyo TVC. The accounts have a nill balance since the projects were completed and the balances were transferred to the capital fund account. Rachuonyo TVC had been handed over and the accounts were removed from our books since they are independent.

The Committee directed the auditor to confirm compliance in the next audit cycle.

b. Non – Compliance with the Law on Ethnic Composition

Audit review of employee records indicated that out of the 36 employees of the College, 33, or 92% of the establishment were from one community. This was contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, 2008 which requires every public establishment to seek to represent the diversity of the people of Kenya in the employment of staff, and not have more than one-third of its staff from the same ethnic community.

Management Response

The principal informed the Committee that most of the employees were inherited from the previous management. Strategies have however been put to address this issue.

The Committee directed the institution to comply and the auditor to report back in the next audit cycle.

FY 2020/2021

All audit queries for this financial year were marked as recurrent from the previous years.

ii. RANGWE TECHNICAL AND VOCATIONAL COLLEGE

FY2019/2020

The following audit query for this financial year was marked as unresolved;

a) Unsupported Property Plant and Equipment

The statement of financial position reflects property, plant and equipment balance totaling KES. 1,250,680, as further disclosed in Note 13 to the financial statements. However, examination of the asset registers and physical verification of the College's assets revealed that the institution owned land whose value was not included in the assets register or disclosed in the financial statements. In the accuracy, completeness and fair presentation of property, plant and equipment circumstance balance totaling KES. 1,250,680 as at 30 June 2020 could not be confirmed

Management Response

The Chief Principal stated that in 2021 they paid Ksh 44,200.00 for titling as was guided by State Department but failed to provide the title deed. Further, they have invited the Regional Valuation officer for valuation.

The Committee directed the institution to ensure compliance and the auditor to report back in the next audit cycle.

FY 2020/2021

The following audit queries for this financial year were marked as resolved;

a. Failure to Deduct and Remit Income Tax on Remuneration of the Board of Governors.
b. Lack of Human Resource Manual
c. Lack of Internal Audit Function
d. Lack of a Risk Management Policy Framework Lack of Information and Communication Technology Function

The following audit queries for this financial year were marked as unresolved;

a. Budget Control and Performance

The statement of comparison of budget and actual amounts for the year under review reflects budgeted and actual receipts totaling KES. 22,512,440 and KES. 2,935,830 resulting to a shortfall of revenue totalling KES. 19,576,610 or 87% of the budget. Similarly, the statement reflects the final expenditure budget and actual on a comparable basis totaling KES. 14,796,770 and KES. 3,854,157, respectively resulting in an under-expenditure of Ksh. 10,942,6123 or 74% of the budget.

Management Response

The Principal stated that budget projection in terms of population was adversely affected by the COVID-19 outbreak. This not only reduced students' admission but also affected revenue collection.

The Committee directed the institution to ensure compliance and the auditor to report back in the next audit cycle.

b. Lack of Ethnic Diversity in Staffing

An audit review of employee records indicated that out of the thirty-six (36) employees of the College comprised of twenty-four (24) teaching staff and twelve (12) non-teaching staff, 33, or 92% of the establishment were from one community. This was contrary to Section 7(1) and Section 7(2) of the National Cohesion and Integration Act, 2008 which requires every public establishment to seek to represent the diversity of the people of Kenya in the employment of staff, and not have more than one-third of its staff from the same ethnic community.

Management Response
The management stated that it strives to balance and give a National outlook but our challenge is the low pay which only attracts the majority of locals who operate from their homes. He also noted that they had reduced 92% of the local community to 88%.

The Committee directed the auditor to confirm compliance and report back in the next audit cycle.

iii. **OMUGA TECHNICAL AND VOCATIONAL COLLEGE**
FY 2019/2020
The following audit queries were marked as resolved;
a. Unsupported Receivables

The following audit queries were marked as unresolved;

a. Inaccuracies in Revenue from Exchange Transactions
The statement of financial performance reflects revenue from exchange transaction amount of KShs.7,595,010 which includes revenue from rendering of services and other income of Kshs.6,995,120 and Kshs. 599,890 respectively. However, as disclosed in Note 7 and Note 8 to the financial statements, both amounts include the same revenue items amounting to KShs.351,880 resulting in double counting. In this circumstance, the accuracy of the revenue from exchange transactions amounting to KShs.7,595,010 and Kshs.599,890 could not be confirmed.

Management Response
The Principal stated that this anomaly was noted and amended in the Financial Report.

The Committee directed the auditor to confirm compliance and report back in the next audit cycle.

b. Unsupported Property, Plant and Equipment
The statement of financial position reflects Property, plant and equipment balance of KShs.53,936,652 as disclosed in Note 18 to the financial statements. The balance constitutes

an amount of KShs 54,361,536 in respect to inherited assets. However, valuation reports in support of the inherited assets balances of KShs 54,361,536 as at 1 July, 2019 were not provided for audit. Further, the value of the parcel of land on which the College was built, measuring approximately 3.8 acres could not be ascertained while ownership documents were not provided for audit. In the circumstances, the accuracy and fair value of the property, plant and equipment balance of KShs.53,936,652 could not be confirmed.

Management Response

The Principal stated that the KShs.53,936,652 recorded in the PPE was the cost of Building, Furniture and fittings, Computers and Company/Institutional seal (Other Assets) as per the PPE Schedule in the amended Financial Statements. However, the Management was unable to undertake a comprehensive valuation exercise for all the College assets during the FY 2022-2023 as planned due to funding challenges but has scheduled for the same during the FY 2023-2024.

The management was given six months to comply.

c. Unexplained Variance in the Value of Inherited Assets

The statement of changes in net assets reflects value of inherited assets balance of KShs.52,721,122 as at 1 July, 2019 which differs with the balance of KShs. 54,361,538 disclosed in Note 18 to the financial statements. The resulting difference of KShs. 1,640,414 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the value of inherited assets balance of KShs.52,721,122 could not be confirmed.

Management Response

The management stated that it had corrected the anomaly in the amended Financial Report.

d. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June 2021 reflects total budgeted revenue of Kshs.14,824,000 and actual revenue of Kshs.5,772,090, resulting in a budget shortfall of Kshs.9,519,910 or 64% of the budget. Similarly, the statement reflects total expenditure of Kshs.4,240,559 against an approved budget of Kshs.14,824,000 resulting in an under-expenditure of Kshs.10,583,441 or 71% of the budget. The revenue shortfall and the under-expenditure constrained the execution of planned activities and may have impacted negatively on the delivery of services to the public.

Management Response

The management in its response to the draft audit report, stated that it had projected to receive Government Capitation grant of KShs.6,000,000 for students during the FY 2019/2020. However, the college failed to receive any Capitation grant in the course of the financial year. The College only received KShs.1,000,000 out of the Kshs.2,000,000 Operational grant projected for the year. The failure to receive the projected Government grants was the major reason for the wide variation between the projected income of Kshs.14,824,000 and the actual collection of Kshs.5,772,090 for the FY 2019/2020. Because of these and the poor fees payment trend by the students, there was poor implementation of planned College operations.

The Committee directed the auditor to report back in the subsequent audit cycle to confirm compliance by the management.

Further, the Committee resolved to invite the Principal Secretary to appear before the Committee and shed light on why most institutions are unable to meet their Budgetary Performance targets.

e. **Non-Adherence to The Two-Thirds Gender Rule and to the Law on Ethnic Diversity**

Analysis of the staff files and staff master data revealed that out of the 40 staff members of the College, 35 or 88% were from the dominant community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public establishments to seek to represent the diversity of the people of Kenya in the employment of staff; and not to have more than one-third of its staff from the same ethnic community.

Management Response

The management stated that the College became operational in 2019, most of the staff were engaged on short-term and casual contracts to offer various services and majorly came from the local community and the neighbourhood. This was because the College was still very young and lacked the capacity and finances to advertise the job vacancies competitively. The management has however been focused on ensuring ethnic mix and gender balance is achieved during the recruitment of staff, especially the Trainers.

The Committee directed the auditor to report back in the subsequent audit cycle to confirm compliance by the management.

<u>FY 2020/2021</u>

The following audit queries were marked as resolved;

a) Inaccuracies in Employee Costs.
b) Misclassification of Expenditure on Remuneration of the Board.
c) Irregular Payment of Salaries
d) Internal Audit Committee. Committee

The following audit query was marked as unresolved;

a. **Unsupported Income from Production Unit**

The statement of financial performance reflects another income amount of KShs. 912,468 which as disclosed in Note 8 to the financial statements includes income from a production unit of Kshs.376,158. However, no evidence was provided for audit in the form of work tickets, job cards, invoices, or receipt books for the jobs done and approved tariffs or rates for the services offered by the tractor. In the circumstances, the accuracy and completeness of the production unit income of KShs. 376,158 could not be confirmed.

Management Response

The management stated that it has purchased the work tickets to control the Tractors' movements and is currently in the process of ensuring full compliance with the matters raised regarding the use and hire of the tractors.

The committee directed that it will determine the accounting officer's incompetence during report writing.
All other matters were marked as recurrent from the past financial year.

iv. KAKRAO TECHNICAL AND VOCATIONAL COLLEGE

FY 2020/2021

The following audit queries were marked as unresolved;

a. **Inaccuracies in Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.382,050 as disclosed in Note 30 to the financial statements. However, the balance excludes values of land measuring approximately 2.2 hectares, computers, furniture, and other assets. Further, these assets were not included in the assets register. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.382,050 could not be confirmed.

Management Response

The Principal stated that assets of unknown value quoted in the Audit Report, including land, furniture, and ICT equipment, did not have current values as they were donations from the National and County Government. Considering the past and present financial position, the management was not able to engage a professional valuator to determine the values of the said items. However, these items were disclosed in the Financial Report 2020-21 under the 'List of Donations' in fulfillment of Paragraph 27 of IPSAS. With regard to this, the college has engaged a valuator who has performed the valuations of college assets and to date, the assets values are Kshs 73,094,000/= (Kenya Shillings Seventy-Three Million and Ninety Four Thousand Only) as per the Valuation report dated 25th July, 2022.

The Committee directed the management to avail all required documents to the auditor for verification and report back.

b. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects the final receipt budget and actual on a comparable basis of Kshs. 31,017,900 and Kshs. 10,558,463 respectively, resulting in an under-funding of Kshs. 20,459,437 or 66% of the budget. Similarly, the college spent an amount of Kshs. 4,618,859 out of the approved expenditure budget of Kshs. 31,017,900, resulting in an under-expenditure of 26,399,041 or 85% of the budget.The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The Principal stated that material differences between the budget and the actual amounts in the mentioned Financial Year were primarily due to under-funding from the National government and the effect of Covid-19 pandemic which saw the trainees out of the session between 15th March, 2020 to 15th February, 2021. Therefore, the revenue and expenditure for the period could not be realized. The original budget stipulated that the institution would receive a total of Kshs. 27,000,000 as grants from the Government (Kshs. 25,000,000.00 development grant and Kshs. 2,000,000.00 recurrent grant). Instead, the institution received only Kshs. 2,000,000 from the government thereby constituting the performance difference during the year under review. In the future, the college affirmed that it is committed to making a realistic by budget excluding the operational and development grants projections as shown in the Budget for FY 2023-2024.

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

Further, the Accounting Officer is encouraged to develop other income-generating activities to increase their cash flow so as not to depend on government funding only.

c. Non-compliance with the Law on Ethnic Composition

The college had twenty-seven (27) employees out of which twenty-four (24) or 89% of the total number were members of the dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integrity Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community." In the circumstances, Management was in breach of the law.

Management Response

The management stated that the institution is obliged to comply with the two-thirds gender rule and ethnic diversity as per section 7 part (1&2) of the National Cohesion and Integrity Act, 2008, the low levels of remuneration and the institution's inability to offer house allowances for BOG staff reduces the employability of the college, thereby contributing to the low level of diversity in the workforce.

The Committee directed the management to abide by the values and principles of public service as provided National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/201: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 5:15pm. The next meeting will be held on Wednesday 15th August, 2023.

SIGNED: .... DATE: 22/11/23 ....

(CHAIRPERSON)

MINUTES OF THE 48TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON TUESDAY 15TH AUGUST, 2023 AT BEST WESTERN HOTEL- KISUMU AT 8:30 AM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Thaddeus Nzambia Kithua, MP
6. Hon. Chiforomodo Mangale Munga, MP

APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. Maurice Kakai Bisau, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Moses Kirima Nguchine, MP
5. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
6. Hon. Tonui Joseph Kipkosgei, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE
SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Moses Mwariri - Legal Counsel II
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer
9. Mr. Albert Atunga - Serjeant - at- Arms

OFFICE OF THE AUDITOR GENERAL

1. Mr. Wilson Maiyo - Director of Audit
2. Mr.Dennis Kariuki - Director of Audit
3. Mr. David Mutunga - Principal Auditor
4. Mr. Samuel Chege - Principal Auditor
5. Mr. Kennedy Oenga - Auditor
6. Mr. Felix K. Itonge - Auditor/Liaison Officer

TREASURY

1. Mr. Mark Ngecho

INSPECTORATE OF STATE CORPORATIONS

1. Mr. Michael Muturi

KISUMU NATIONAL POLYTECHNIC

1. Ms. Catherine Kelonye	-	Principal
2. Mr. Paul Maher	-	Finance Manager
3. Mr. Milton Omollo	-	Supply Chain Manager
4. Mr. Barrack Oluoch	-	Internal Auditor
5. Mr. Shaun Olwenge	-	Principal Accountant
6. Mr. Cosmas Sonowi	-	Accountant

MABERA TECHNICAL & VOCATIONAL COLLEGE

1. Mr. Stalin Olwenge	-	Principal
2. Mr. Cosmas Yangwe	-	Accountant

MASENO UNIVERSITY

1. Prof. Julius O. Nyabundi	-	Vice Chancellor
2. Prof. Catherine Muhoma	-	DVC Administration Finance ,and Development
3. Prof. Mary Kipsat	-	DVC Academics and students affair
4. Prof. Joseph Chacha	-	DVC Partnership, Research and Innovation
5. Ms. Elizabeth Gombe	-	Deputy Chief Internal Auditor
6. Ms. Joy Akinyi	-	Senior Legal Officer
7. Mr. J. W. Omondi	-	Finance Officer
8. Ms. Damaris Omoke	-	Deputy Finance Officer
9. Mr. Kipkemboi Kogo	-	Senior Accountant
10. Ms Millicent Madara	-	Human Resource Officer
11. Mr. Cosmas Muthamia	-	Director ICT
12. Ms. Sophia Ogela	-	Procurement Officer

JARAMOGI OGINGA ODINGA UNIVERSITY

1. Prof Joseph Bosire	-	Ag Vice Chancellor
2. Prof. Aggrey Thuo	-	DVC (PFA)
3. Prof Dennis Ochuodho	-	Ag DVC ASAR
4. Mr. WalterAkello	-	Registrar Academic, Student Affairs and Research
5. CPA George Aduda	-	Chief Finance Officer

MIN.NO.NA/DAAOSC/PIC-G & E/2023/: PRELIMINARIES

The chairperson called the meeting to order at 8:30 am. A word of prayer was said followed by introductions. The agenda was confirmed as listed hereunder on the proposal of Hon. Chiforomodo Mangale Munga, MP and seconded by Hon. Mark Muriithi Mwenje, MP

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AGENDA:

1. Prayers;
2. Preliminaries/Introduction
    i. Adoption of the Agenda;
    ii. Confirmation of minutes of previous sittings & Matters Arising
3. **Meeting with State Corporations on issues arising from the Audit Reports;**
    i. Mabera Technical & Vocational College

ii. **Kisumu National Polytechnic**
iii. **Maseno University**
iv. **Jaramogi Oginga Odinga University**

4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/195: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/196: RESPONSES TO THE AUDIT QUERIES FOR THE FY2019/2020 AND 2020/21 BY VARIOUS AGENCIES

1. MABERA TECHNICAL & VOCATIONAL COLLEGE

FY 2019/2020

The management submitted its response to the audit queries for the financial year 2019/2020 as follows:

1. **Unsupported Current Receivables from Exchange Transaction**

1.1 Unsupported student debtors

The statement of financial position reflects current receivables from exchange transactions balance of Kshs14,379,971 which, as disclosed in Note 19 to the financial statements, includes student debtor's balance of kshs12,624,971 whose supporting aging analysis schedule was not provided for audit and it was therefore not possible to establish for how long the debt has been outstanding. In addition, the college did not have a debt management policy. In the circumstances, the recoverability of the student debtors of kshs12,624,97 could not be confirmed.

The management responded that the accounting software that the institution is using lacks the function of generating aging analysis schedule for debtors. The management has discussed with the supplier/service provider to add the feature to the software. In addition, the management has also formulated a debt management policy.

The Committee directed the Auditor to verify the existence of a debt management policy and report to the Committee in subsequent audits.

2. **Unsupported Property, plant and Equipment**

The statement of financial position as disclosed in Note 20(a) to the FSs reflects PPE balance of KES.53,842,296. However, the balance was not supported with fixed asset register. Further, the balance includes KES.2,700,015 and KES.448,191 in respect of borehole and fence respectively which was not support with valuation report, payment certificates or

purchase invoices. In addition, the value two (2) hectares of land on which the College is situated was not incorporated into the PPE as at year end.
The management informed the Committee that by the time of audit they were doing asset tagging and valuation of all assets. Currently the institution has a valuation report for all the assets.

The Committee directed the management to ensure that the asset register is updated to ensure that it captures all assets especially land and buildings and ensure compliance in the next audit.

3. **Unsupported Trade and Other Payables from Exchange Transactions**

The statement of financial position reflects trade and other payables from exchange transactions balance of KES.1,594,774. However, the creditors' ageing analysis, and schedules were not provided for audit.

The management said that the accounting software that the institution is using lacks features for generating aging analysis schedule for debtors. They have discussed with the supplier to add the feature to the software.

The committee directed the management to work on the software and report to the committee within three months.

4. **Lack of Approved Budget**

During the year under review, the College did not have an approved budget. This is contrary to Section 22(1) and (2) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013, which provides 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 CS may prescribe and it may incur expenditure for the purpose of the institution in accordance with estimates approved by the CS, and any approved expenditure under any head of the estimates may not be exceeded without the prior written approval of the CS.
In their response, the management stated that by the time audit, the institution was under the mentorship of Mawego Technical and Vocational College, which was running the affairs of the college and all the transactions were being minuted by the board of both institutions. Subsequent financial years' budget were prepared, approved and submitted to the relevant ministry.

The Committee directed that the issue would be addressed conclusively on Thursday 17th August 2023 when the Principal of Mawego TVC would be appearing before it.

5. **Non Establishment of Internal Audit and Audit Committee**

Review of the overall internal control environment of the College revealed that, during the year under review, the College did not have an Internal Audit function and Audit Committee; this was in contravention of Section 73(1) (a) of the PFM Act, 2012. Similarly, the College did not have an audit committee in place as required by Regulation 174(1) of the PFM (NG) Regulations, 2015.

The management asserted that by the time of audit, the board had discussed the establishment of internal audit and audit committee. Currently, the institution has the two functions in place. **The Committee directed the Auditor to confirm that there is in place an audit committee and internal auditor by closed of business the following day and report back to the Committee.**

The following two issues were reported as resolved:

6. **Non Establishment of Human Resource Department**
7. **Lack of Risk Management Policy**

FY 2020/2021

The following issues were recurring from the previous financial year and so the Committee reiterated its position:

i. **Unsupported student debtors;**
ii. **Unsupported Property, Plant and Equipment;**
iii. **Lack of an Internal Audit and Audit Committee**
iv. **Failure to Establish Human Resource Department**
v. **Lack of Risk Management Policy**

The management submitted its response to the audit queries for the financial year 2020/2021 as follows:

1. **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs60,430,940 and Kshs15,809,915 respectively resulting to a revenue shortfall of Kshs44,621,025 or 74% of the budget. Similarly, the college spent a total of Kshs23,601,851 against an approved budget of Kshs60,430,940 resulting in an under expenditure of Kshs36,829,089 or 61% of the budget.
The underperformance in the revenue and expenditure may have constrained planned activities and service delivery to the public.

The management informed the Committee that they agree with the auditor's observations but, the college experiences cash flow challenges due to non-disbursement of funds from the Exchequer. Further, the college was not operational due to Covid-19 which made the college to be closed for six (6) months as learning was suspended.

The Committee directed the auditor to confirm whether there is improved performance in the revenue and expenditure in the next Audit.

2. **Irregular Remuneration of Board of Governors**

The statement of financial performance reflects expenditure on the remuneration of directors of kshs1,872,710 which includes an amount of kshs1,576,000 relating to sitting allowances paid to the members of the board of governors at rates of kshs15,000 and kshs12,000 for the Chairperson and members respectively. However these rates were not approved by the responsible Cabinet Secretary as required under Section 17 of the second schedule of the Technical and Vocational Education and Training Act, 2013.

Further, during the year under review, the Management did not remit the taxes arising from the payment of sitting allowances to the Kenya Revenue Authority as required by section 3(1) of the Income Tax Act.

In addition, the BOG did not have a Board Charter and operated without an annual work plan for the year under review, contrary to the Mwongozo guidelines.

The management informed the Committee that the members of the Board of Governors and the chairperson are appointed by the Cabinet Secretary Ministry of Education as stated in the TVET Act, 2013. The members of the BOG therefore after inauguration set allowances based on the financial ability of the college. The management paid related taxes on the allowances and the college has a charter in place.

The Committee directed that the matter be referred to Thursday, 17th August 2023 when the principal would furnish the committee with circulars from the Ministry of Education that they used as guide in payment of the allowances failure to which the accounting officer responsible would be surcharged.

2. KISUMU POLYTECHNIC

FY 2018/2019

It was resolved that issues relating to this financial year the following day when the Principal who was the accounting officer then appears before the Committee.

FY 2019/2020

The Committee resolved to address queries raised in this financial year when the former principal appears before it.

FY 2020/2021

The following issues were reported to have been resolved:

ii. Inaccuracies in comparative Balances;
iii. Transfers from Government Entities;
iv. Unreconciled Inventories
v. Unreconciled Capital Work in Progress
vi. Unsupported Refundable Deposits from Students
vii. Delay in Completion of Projects
viii. Cash and cash equivalents
ix. Unreconciled inventories

The management submitted its response to audit queries for the financial year 2020/21 as follows:

1. Variances between Financial Statements and Ledger Balances

The statement of financial performance reflects expenditure on use of goods and services, repairs and maintenance, and general expenses of KES.187,454,024, KES.2,308,996, and KES.5,048,045 as disclosed in Note 14, 18 and 20 respectively. Variances were however noted between the amounts reflected in the financial statements and amounts reflected in the ledgers. In the circumstances, the accuracy of the use of goods and services, repairs and maintenance, and general expenses could not be confirmed.

The management said that the issues had been resolved but the auditor responded that issues on learning materials and training, ICT expenses, repairs and maintenance had not been resolved.

The Committee directed the management to provide all the ledgers to the Auditor for scrutiny by close of business that day and report back to the Committee.

2. Unreconciled Employee Costs

Employee costs include basic salaries and wages and housing benefits of KES.70,232,449 and KES.8,774,291 respectively. However, the master payroll and supporting payment vouchers provided for audit reflected expenditure on basic salaries and housing benefits of KES.62,945,624 and KES.8,347,241 respectively resulting to an unreconciled variance of KES.7,286,828 and KES.427,050 respectively. Further, the ledger for salaries and wages reflected an amount of KES.71,610,937 while the financial statements reflect an amount of KES.70,232,449 resulting to an unreconciled difference of KES.1,378,488. In addition, an amount of KES.5,131,988 paid in respect of security services was erroneously charged to the salaries and wages account.

The management acknowledged the errors and responded that on personal emoluments, the totals as per the ledger is kshs70,232,449, security firm is outsourced and the amount is Kshs3,753,500 which was erroneously captured and therefore the correct ledger balance is Kshs66,478,949. This was an omission by the Human Resource officer and the errors have been corrected as shown in documents attached.

The Committee observed that there were too many errors and recommended that the accounting officer be cited for negligence and the finance officer be warned.

3. Unsupported trade and other payables

The statement of financial position and corresponding Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.88,297,149 which includes Kshs.8,299,392 and Kshs.1,351,474 in respect to accounts payable and withholding VAT respectively. However, these balances were not supported with contracts, local purchase or service orders, and invoices.

In the circumstances, the accuracy, completeness, and propriety of trade and other payables balance of Kshs.88,297,149 could not be confirmed.

The Management in their reply stated that the balances of recurrent creditors and withholding VAT of Kshs.8,299,392 and Kshs.1,351,474 respectively were cleared in full after the end of the year. Refer to Annex 6 for ledger balances of the period and the subsequent clearance dates of these amounts.

The auditor informed the Committee that invoices were not provided during audit.

The Committee therefore recommended that both the accounting officer and finance officer be cited for incompetence and asked the management to provide the invoices by close of business that day.

4. Unaccounted for Expenditures

The statement of financial performance reflects expenditure totalling to Kshs.5,048,045 in respect to general expenses. The expenditure includes Kshs.117,600 which was paid to three (3) members of staff from the parent ministry during a visit to Rarieda Technical Vocational College. Documents provided revealed that no formal imprest request was made, and the approval for payment was based on an email notification from a team member informing the Polytechnic Management about their intention to visit and do works assessment at Rarieda Technical Vocational College which is mentored by the Polytechnic. Although the Management explained that they requested for the evaluation team from the parent ministry, recommended financial management procedures were not followed as the amount was directly expensed instead of being issued and accounted for as imprest.

In the circumstances, the completeness and accountability of the expenditure of Kshs.117,600 could not be confirmed.

The management informed the Committee that TKNP being a mentoring Institution requested for a project evaluation from the Ministry. An official communication through email was issued. Annex 8 is a report of the evaluation for this exercise.

The Committee recommended that the accounting officer be cited and be surcharged.

5. Irregular Cash payments

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects repairs and maintenance expenditure of KES.2,308,996. However, the payments totaling KES.2,036,775 were paid in cash. Although the management explained that the repairs were carried out by staff during the Covid-19 period, it was not clear why they were paid since employees are entitled to salaries.

The management informed the committee that Kshs.2,036,775 were payments made to casual workers engaged during the Covid-19 period for repairs and maintenance works and payments were done through their supervisors, and as per Sec 109 Force Account Subsection 2b, which states that a procurement entity may use force account by making recourse to the state or public officers and using public assets, equipment and labor which are competitive and where unforeseen and urgent work is required to be carried out without disrupting ongoing operations.

TKNP uses prequalified suppliers on small works for all repairs and maintenance activities within the institution.

The Committee recommended that the Principal be surcharged, the amount be paid within six (6) months.

6. Long Outstanding Imprests

The statement of financial position and corresponding Note 23 to the financial statements reflects receivable from exchange transactions of KES.168,517,087 which includes long outstanding imprest totaling to KES.2,470,345 not surrendered at the end of the financial year contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station.

The management stated that these imprest balances has since been cleared as per annex 9 and that presently, imprest clearance is done within 7 working days after returning to duty station.

The committee directed the auditor to verify the documents presented and report back to the Committee to enable it make a determination. Further, the Committee also

recommended that the accounting officers who authorized the payments should be surcharged for outstanding imprests.

7. Irregular payment of Responsibility Allowances

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects an expenditure of KES.94,753,221 in respect to employee costs which includes an expenditure on responsibility allowance amounting to KES.5,619,110 paid to various members of staff. Although the payment of this allowance was approved by the Governing Council, management did not provide evidence of approval by the Salaries and Remuneration Commission.
The management responded that this allowance has since been removed.

The Committee directed that the Governing Council to appear before it on Wednesday, 16th August, 2023 at 2:00 pm.

8. **Weak Controls over Fuel Expenditure**

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects use of goods and services expenditure of KES.187,454,029 which, included KES.3,550,491 in respect of local transport and travelling. Review of the fleet management system, motor vehicle records and supplier statements for the period under review revealed that there were no requisitions for motor vehicle fuel drawn by the institution's vehicles detailing the date, amount and vehicle drawing the fuel. In addition, work tickets for five (5) motor vehicles for eleven (11) months were missing.

Further, in some instances, fuel drawn was not recorded in the work tickets. In addition, inconsistencies in the mileage recording were noted and variances between the amount of fuel drawn as per the supplier statements and amounts recorded in the works were also noted.

The management responded that they have since addressed this issue and that all fuel drawn is currently being recorded in the work ticket for each vehicle. TKNP has assigned responsibility to a staff to oversee activities of the Polytechnic's vehicles and transport activities.

The Committee directed the Auditor to look at documents presented and advise the Committee by Tuesday, 22nd August 2023 and that the former principal should appear before it on Wednesday, 16th August 2023.

9. **Failure to Maintain Fixed Assets Register**

The statement of financial position reflects PPE net book value of KES.2, 429,806,197. However, management did not provide an asset register to confirm the completeness of the various classes of assets reflected in the financial statements.

The management stated that asset reconciliations are uploaded in the system on a quarterly basis to the treasury. nalm@treasury.go.ke.

This has been addressed and asset reconciliations are updated as per the Performance Contracting requirements on the National Treasury on a quarterly basis. A report on the performance is shared to TKNP from the National Treasury.

The Committee directed the auditor to verify that there is an updated fixed assets register and report in the next audit.

3. MASENO UNIVERSITY

2018/2019

The auditor reported that the following issues had been resolved:

i. Unreconciled University Enterprise Expenses
ii. Unexplained Loss of Food Stocks
iii. Omitted Retentions
iv. Misstatement of Capital Work in Progress
v. Budget Under Performance
vi. Prior Year Audit Issues
vii. Unutilized Borrowed Funds***
viii. Incomplete Implementation of Enterprise Management System

The management submitted its response to the audit queries for the financial year 2018/19 as follows:

1. Unsupported Adjustments to Account Balances

The financial statements reflect several accounts with adjusted balances. However, no journal entries or other accountable documents were provided to explain the adjustments.

The management informed the Committee that the adjustments were made to correct issues that were identified during the audit. The Journal entries are available for review.

The Committee directed the management asked the auditor to verify documents presented and report back in two weeks.

2. Unreconciled Tuition Income

The balance of KES.261,050,843 and KES. 446,231,404 is in relation to tuition fees receivable at Kisumu Town Campus and main Campus Respectively. However, Management did not provide records to reconcile the receivable fees to the student enrolment records.

The management asserted that the University has since automated student registration where nominal rolls are signed on-line upon payment of fees. The electronic register is available for review.

Currently the student population can be ascertained at any given time and are reconciled with fees accrued.

The auditor has not been provided with the nominal roll for review and therefore the Committee directed the management to provide necessary documents to the auditor who is to report status to the Committee in two weeks.

3. Misstated Impairment Loss

Note 19 to the Financial Statements reflects an impairment loss of Kshs.11,649,992 being 5% of the trade debtors a balance totaling Kshs.232,999,838 as at 30 June, 2019. The provision

for the previous year amounted to Kshs.9, 999,590. However, the statement of financial performance incorrectly reflects the closing balance for the provision totaling Kshs.11, 649,992 instead of the increase in the balance amounting to Kshs.1.650.402 in the year under review. As a result, the deficit totaling Kshs.507, 119,137 reported in the financial statements is overstated by Kshs.9, 999,590.
Consequently, the accuracy and validity of the reported debtors balance totaling Kshs.221, 349,846 as at 30 June 2019 could not be confirmed.
In addition, the Cumulative impairment loss on student debtors totaling Kshs.355,548,827 as at 30 June, 2019 reflected in Note 21(i) to the financial statements exceeds the total student debtors balance amounting to Kshs,168,135,858 reflected in the Note suggesting that Management have not been effective in collecting tuition fees from students.

Management responded that this was an error of principle which had been noted and rectified in the Financial 2021/2022.

The committee noted that the capacity in public institutions is wanting. The Committee therefore committed to see to it that this is rectified. In addition, the Committee cited the finance officer for incompetence.

4. **Lack of Provisions for Long Outstanding Rental Income**

Note 8 to the financial statements reflects Varsity Plaza rental income for the year under review totalling KES.15,152,434. However, uncollected rental income at the plaza totaled KES.17,824,444. Therefore, the University's rental properties may not have been managed in an effective way. In addition, no provision for bad and doubtful debts was made despite the increase in rental debtors by KES. 9,008,943 from KES. 8,8915,501 at the end of the previous financial year.

The management informed the Committee that The University has made consorted efforts to reduce the Rental Debtors. In 2020 and 2021, the Rental debtors reduced to Ksh. 9,554,513 and Ksh. 8,809,190 respectively. The University has been providing for all its Trade debtors which include rent debtors.

The Committee directed the management to ensure that this is fixed within 60 days and the Auditor to report progress.

5. **Discrepancies in Cash and Cash Equivalents Balance**

Two bank balances reflected in note 32 differ with the respective amounts reflected in the reconciled cash book balance.

The Management said that the differences in the identified bank accounts arose from adjustments done to the Cashbooks as a result of issues that were identified during the audit.

The auditor informed the Committee that KCB account certificate had not been provided.

The committee directed that the documents should be availed within two (2) days and the Auditor to report back to the Committee. In addition, the finance officer was cited for incompetence.

6. **Long Outstanding Receivables**

A sum of KES.20, 772,325 made to Tom Mboya University and KES. 51,779,015 receivable from CBA 2010/13 (IPUCEF) had been outstanding for more than 3years and no doubtful debts provision was made.

The management responded that the Ksh20, 772,325 owed by Tom Mboya University has been fully settled. The Kshs. 51,799,015 for CBA 2010-2013(IPUCCF) is a debt from the exchequer.

The Committee resolved to invite the PS state department for Higher Education and Research to respond to the issue of CBA 2010-2013(IPUCCF).

7. Unsupported Variations on Project Costs

The capital work-in-progress balance totaling Kshs.856,220,039 as at 30 June, 2019 reflected in Note 23(i) included administration block and library building construction costs totaling Kshs.106,265,147 and Kshs.372,071,612 respectively as at 30 June, 2019. However, the contracted sums for the two projects were Kshs.89, 900,245 and Kshs.174, 099,320 respectively and therefore the costs incurred had surpassed the contract sums by Kshs.16, 364,902 and Kshs.197, 972,292 respectively. Management did not provide any documentation to explain the cost overruns incurred on the two projects. Further, the capital work-in-progress balance includes Kshs.9, 233,804 being the contract sum for a completed perimeter wall contract. The balance should therefore not have been accounted for under work-in-progress.

In view of these issues, expenditure totaling Kshs.487, 570,563 included in the capital work-in-progress balance totaling Kshs.856, 220,039 as at 30 June, 2019 could not be confirmed.

The Committee noted that contract variation was a recurring issue in most public institutions. The Committee therefore ordered that the Auditor should furnish it with all the documents relating to the projects. Further, the Committee declared an inquiry into the two projects. Venue, date and time of the inquiry would be communicated later.

8. Sustainability of Services

Analysis of the statement of net assets indicated that the University had an accumulated surplus of Kshs.495, 352,807 as at 1 July, 2018 which was utilized to offset the deficit for the year under review amounting to Kshs.507, 119,137. As a result, the accumulated deficit totaled Kshs.11, 766,331 as at 30 June, 2019. Management has not disclosed the measures they intend to take to reverse the unfavorable performance. The accumulated deficit of Ksh. 11,766,331 is as a result of implementation of the 2013/17 CBA which was implemented in 2017/2018 without the requisite support from the exchequer.

The management in their reply stated that the accumulated deficit of Ksh. 11,766,331 is as a result of implementation of the 2013/17 CBA which was implemented in 2017/2018 without the requisite support from the exchequer.

The Committee resolved to address this matter with the PS when she appears before it.

9. Unutilized Borrowed Funds

The statement of finance position reflects a bank loan amounting to Kshs. 100,400,000 that was borrowed during the year under review. The financial statements, however, indicate that the University was holding a cash balance totaling of Kshs. 356,022,663 at the beginning and Kshs. 276,269,554 at the end of the year under review. The balances included a fixed deposit amounting to Kshs. 50, 0000,000. The loan that resulted in interest expense amounting to Kshs. 11.055,058 may, therefore, have been incurred needlessly.

Further, information available indicated that the loan was to fund the construction of a students' hostel. However, there were no records for such expenditure, or construction of hostels at the University, in the year under review.

Consequently, the propriety of the borrowing amounting to Kshs. 100,400,000 and expense due totaling Kshs. 11,055,058 could not be confirmed. Further, in the absence of records on construction of any hostel, there is risk of the proceeds of the loan not being put to their intended use.

The management responded that Kshs. 276,269,554 held in the University was meant for the operational activities of the University such as Research funds and payroll cost. In the year under review Kshs. 140,778,820 was spent on the construction of Tuition Block as captured in the work-in-progress in the Financial Statement on Tuition Block and Laboratories complex.

The Committee resolved to declare an inquiry into the Ksh500, 000,000 loan.

9. Failure to Comply with the Procurement Act

KES.1,824,500 was paid to a food supplier for the delivery of perishable foodstuffs. The supplier was however, not among the list of prequalified supplier's contrary to Section 106(5) of the Public Procurement and Asset Disposal Act, 2015.

The management ascertained that the food stuff in question was supplied by Joel Otieno Otieno who was prequalified in the continuous registration of suppliers as per sec.71 of the Public Procurement and Asset Disposal Act 2015. The Supplier was Prequalified and the list is hereby attached.

The Committee directed the management to provide documents showing that the process of procurement was done in accordance with the Law by the next day at 9:00 am.

10. Procurement of Computers and other Office Equipment

Computers and other assorted information technology equipment costing Kshs21,537,920 were purchased by use of request for quotations. The respective purchase costs were more than the Kshs5,000,000 thresholds for use of Request for Public Quotations set in Public Procurement Regulations.

The Management said that there was no single line item for computers and accessories procured, amounting to Kshs.5 million and above. The amount of Ksh. 21,537,920 represents all additional plant and equipment that includes assorted ICT equipment and computers. The equipment were delivered during the year and done at different times.

The Committee observed that the items should have been procured through tender and not request for quotations. The procurement officer operated contrary to the Law and therefore was found incompetent. The Vice Chancellor was cited for negligence.

11. Stalled Projects

During the year under review, no works were implemented in respect of two ongoing projects namely the sewerage project and access road maintenance project which had stalled in 2016/2017. The value for Kshs52, 300,321 spent so far may not be realized.

The management responded that these projects were completed and we are in the process of getting certificate of completion.

The Committee resolved to send officers to the ground the following day to ascertain status of the projects and report to the Committee.

12. Incomplete Implementation of Enterprise Management System

Audit review of the University's Enterprise Resource Planning software indicated that it was not interfaced with operations of the main campus at Maseno, Kisumu Campus and various income generating points such as Kisumu Hotel and the University's Farm as envisaged in the University's Information Communication Technology (ICT) policy manual. Consequently, the system has not enabled proper coordination of revenue collection and other operations and therefore value for money on its purchase may not have been attained.

The management in their reply maintained that The MIS was upgraded to Microsoft Dynamics Business central 2019 which has integrated all University Operations. The upgrade was done in July 2019 and addresses the shortcomings of the old system that was audited.

The Committee directed the auditor to verify the system is operational and report to the Committee.

FY 2019/2020

The following issues were reported as resolved:

1. Unsupported cash and cash Equivalents
2. Unsupported Research Expenses
3. Presentation of the Financial Statements
4. Budgetary Control and Performance
5. Staff on Contact Employments
6. Lack of Annual Environment Audit Report

The following issues were recurring from previous years therefore the Committee maintained its position.

7. **Unconfirmed student Debtors**

The management submitted its response to the remaining audit queries for the financial year 2019/20 as follows:

8. Non-adherence to procurement Regulations

According to the statement of professional opinion, a total of thirteen (13) firms were invited to bid while a report of the evaluation committee indicated that only five (5) firms were invited and submitted their bids It was not clear how firm 2, firm 4 and firm 5 were in the entity's database under this category of prequalified suppliers and yet they lacked some of the mandatory requirements needed under the category.
In addition, firm 5 quoted the least price of Kshs. 3,300,000 yet another firm not listed in the table above was awarded the contract at a sum of Kshs. 3, 840,000 which was higher by Kshs. 540,000 compared to the amount quoted by firm 5.
In the circumstances, the University breached the law and no value for money was received.

The management responded that the procurement was for the supply and delivery of RFID card 13 ghz for the ICT department. The University invited 13 bids from the firms in the special group and only six firms responded. List attached.

During the evaluation process the committee confirms the mandatory requirements despite having the bidders in our prequalified database. This is because some of the requirements like subscription to different bodies eg AGPO have a defined period of validity and therefore subject to renewal every two years. This is why firm 2, firm 4 and firm 5 were non-responsive despite being in our data base since we could not determine the status of the certificates.

The tender was then awarded to lowest evaluated responsive bidder which was EIGEN GENERAL ENTERPRISE LIMITED.
The Auditor informed the Committee that the said documents were presented late after the audit had been done.

The Committee therefore directed the Auditor to verify documents submitted and report to back to allow the Committee make a determination on the matter.

9. Delay in Project Completion

The University entered into contract agreement with a firm on 15 July 2019 for upgrade of Microsoft Navision for a contract sum of KES.37,992,100. However, the following unsatisfactory issues were noted;
i. The contract period was seven (7) weeks from the date of signing (15 July, 2019) however, during the time of audit in January, 2021 the project was not yet complete and no authority for the extension was provided for audit scrutiny.
ii. The University paid the cost of license fee to the company of KES.12,082,560 on 11 September, 2019. However, information available indicates that the license information for the old ERP created on 31 July, 2018 was to expire on 29 May, 2021. It was not clear how the amount was arrived at and why the University had to pay for the new license fee yet the license for the currently implemented (ERP) had not expired.
iv. The contract agreement indicated a contract sum of KES.37,992,100. However, it was not clear how the amount was determined since documents such as technical specifications were not provided for audit review.
v. The contactor had been paid KES.10,363,815 being in respect to submission and approval of a functional system yet the status report as at the month of January, 2021 indicated that

some modules had not been completed such as transport/fleet management, farm management, research management, library integration among others.

vi. The ICT Project implementation requires that ICT Authority Officers be part of the implementation and take up the role of project management for successful completion of the project as per the ICTA Standards. However, there was no indication that the ICT Authority Officers were involved in the project implementation.

vii. The bond security from an insurance firm of KES.800,000 for a period of 150 days (4 Months) from 4 June, 2019 signed on 31 May, 2019 had expired and the work was not complete, and the contractor was not on site.

Consequently, the University failed to achieve value for money in the upgrade of Microsoft Navision (ERP) project.

The management said that the contract period was 17 weeks as the attached contract. The implementation started in 11th September 2019 when the University paid for the License. The slight delay in 2020 was however caused by Covid- 19 pandemic which interfered with all the upgrade processes since all the resource persons were based in Nairobi which was under lock-down from April to June 2020.

The Committee resolved to make a determination on this matter at a later date but directed the management to serve the auditor with all the required documents regarding the ICT system.

10. Staff Ethnic Composition

Review of the staff establishment records of the University revealed that, out of the total number of staff of one thousand one hundred and seventy one (1171), seven hundred and fifty-one (751) members of staff representing 64% are from the dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, 2008 Section 7(1). Consequently, the Management was in breach of the law.

The management stated that the highest represented ethnic groups are Luo and Luhya communities. To mitigate this, the University has put deliberate effort to head hunt staff and also ensured that a qualified candidate from underrepresented ethnic groups has an advantage over those from overrepresented ones.

The Committee urged the Vice Chancellor to ensure compliance. The Committee also asked the VC to provide a list of all staff, their ethnicity and when they were employed by close of business the following day.

11. Non- conformity to a Third of Basic Pay Rule Policy

The June, 2020 payroll statistics revealed instance where one hundred and forth one (141) officers were earning net salaries which are below one third of the basic salary. This is contrary to Section 19(3) of the Employment Act, 2007. Consequently, the University was in breach of the law.

The management responded that the University has negotiated extension of loan payment terms with various schemes and banks and also ensured strict background checks are done prior to loan approval. In the month of June 2023 the University has reduced the total number of staff affected by a third rule from 141 to 28 employees.

12. Noncompliance with Government Circulars

The financial statements submitted on 30 September, 2020 indicated that the University had investments in call deposits of KES.50,000,000 which were placed in commercial banks contrary to the National Treasury Circular No. 4/2017, Ref: DGIPE/P/100 dated 2 May, 2017 and the Ministry of Education, State Department for University Education, Circular Ref: MST/11/9(32) dated 3 July, 2017 which directed "All State Corporations to invest surplus in Treasury bills/bonds directly through the Central Bank of Kenya without intermediaries and that all maturing investments of surplus funds in fixed deposits in commercial banks/financial institutions should not be rolled over but retired and invested in Treasury bills/bonds." The University therefore breached the Government Circulars.

The management responded that the funds that were in the call deposit account of Kshs. 50,000,000 on 24th march 2020 were temporarily held there for the payments of part of salaries for the month of April 2020. If the funds were used to buy the treasury bills which mature after 90 days, the University would have defaulted in the payments of salaries in time.

The Committee resolved to make a determination on this matter later.

13. Lack of ICT Data Recovery Plan

During the year under review, a scrutiny of the University Information Security Management Policy Document revealed that the University has no cloud back up but uses portable hard drives which are prone to bugs that can corrupt the system and does not guarantee full recovery of data. Report of the Auditor-General on Maseno University for the year ended 30 June, 2020. Consequently, the integrity of the IT infrastructure and the IT assets of the University is compromised, and data may not be recovered in the event of a disaster.

The management asserted that the University has enhanced IT security by upgrading Navision 2009 software to Navision 2019. The University has procured a cloud data back-up and which has been installed and the implementation process is on-going which 90% complete.

The Committee the directed the Auditor to confirm the existence of a data recovery plan and report back to the Committee.

FY 2020/2021

The following issues were recurring and the committee reiterated its position.

1. Long Outstanding Receivables from Exchange Transactions
2. Inaccuracies in Student Debtors
3. Non- compliance with Law on Ethnic Composition

The following issues were reported as resolved

4. Inaccuracies in the statement of comparison of budget
5. Unsupported Employees Cost
6. Budgetary Control and Performance

The management responded to the following issues as follows:

7. Inaccuracies in Prepaid University Fees

The statement of financial position and as disclosed in Note 30 to the financial statements reflects refundable deposits from customers' balance of Kshs. 64,968,735 which includes university fees prepaid balance of Kshs. 49,525,425. However, recalculation of the balance based on the invoices and receipts extracted from the billing and invoicing system reflected a balance of Kshs. 100,261,492 resulting to unexplained variance of Kshs. 50,736,067. Further 2098 student creditors had understated balances totaling Kshs. 15,401,812 while 6540 student creditors with prepaid balances totaling 77,340,156 could not be traced in the schedules supporting financial statements. In the circumstances, the accuracy and completeness of the prepaid university fees balance of Kshs. 49,525,425 could not be confirmed.

The management responded that the student prepayments have adjusted the figure based on the semester dates which overlapped to the financial year 2022. The recalculated amounts done by the auditor's to arrive at Kshs. 100,261,492 did not factor in the cut point dates resulting from the overlapping semester.

The Committee directed the management to regularize with the auditor within one week.

8. Unsupported Employees Costs

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects employee costs amounting to Kshs. 2,172,394,925 which includes Kshs. 23,002,731 in respect of non-practicing allowances which were paid to 43 university health workers at the rate of Kshs. 40000 per month as reflected n the University's payroll. However, the authority to pay this allowance cited by the University is SRC circular Ref No. SRC/TS/CGOVT/3/61 VOL III/(136) dated 14 September 2015 addressed to County Government medical personnel and not medical personnel in National Government or State Corporations.

Further analysis of the payroll data provided for audit revealed that two hundred and six (206) employees were deducted less PAYE totaling Kshs. 3,800,786.
In the circumstances, the accuracy, completeness and regularity of non-practicing allowance amounting to Kshs. 23,002,731 and PAYE deductions amounting to Kshs. 3,800,786 could not be confirmed.

The management indicated that the University pays the Non- Practicing Allowance to Health Workers and Medical Teaching Staff based on Salary Remuneration Commission, Ministry of Health Circular on Return to Work Formula for Doctors.

In addition, whereas the reference document was addressed to the County Public Service Boards, it affirms the fact that the allowances are enjoyed by all health workers in the national government. Our own staff subscribes to Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU) and therefore eligible. The 206 staff is paying additional Voluntary Contribution (AVC) towards their pension and therefore granted payee relief.

The Committee directed the management to provide the schedules to the auditor by close of business the following day.

9. Lack of Updated Students Register

934 and 807 students received KES.13,609,750 and KES 12,385,307 as HELB loans and CDF bursaries respectively yet they were not in the students register for the period under review. In addition, analysis of the students' billings and invoicing lists provided for current and inactive students revealed 32 active students were not invoiced during the year under review while 848 students were not invoiced a total amount of KES.59,068,900 were not in the student register. Further, 500 students' invoices totalling to KES.37,594,850 from the system invoices report were not included in the financial statement schedules for tuition fees while 2733 students with invoices totalling to KES.124,193,316 in the financial statements supporting schedules for revenue from tuition fees could not be traced in the system invoices of student billing analysis.

The management in their reply maintained that the students register has been updated to include students in campus, deferred, suspensions and exits. In addition, the University has put in place measures to capture all active students and update of their fees records and the amounts receipted. The list is long and can be availed in soft copy.

The Committee directed that the management should provide all requisite documents to the auditor by close of business the following day.

10. Late Remittance of Statutory Deductions

The university made late remittances in relation to PAYE and NSSF of KES.174, 113,509 and KES. 2,968,300 respectively contrary to section 19(4) of the employment Act, 2007.

The management in their reply said that the University uses recurrent Government capitation to settle statutory deduction. Delay was due to late receipt of capitation from the National Government. In May 2021 for PAYE, the capitation grant was received on 16th June 2021.
In the case of NSSF, the due date for NSSF was 15th of every month and this was changed to 9th of every month from 31st March 2021. In addition, we have been taking the cheque to the NSSF branch office within the required time as per the attached acknowledgments. The banking of the cheque is not within our control. All the NHIF was paid before the due dates of 9th of the following month.

The Committee resolved to seek to know the standing of the institute with the said authorities after which the Committee will make a determination.

11. Lack of Segregation of Duties

There was only one employee in charge of the payroll who was able to create, edit and delete information in the payroll contrary to regulation 23(1)(c) of the Public Finance Management Regulations 2015.

The management said that the University has a total of four (4) staff who have been assigned different roles in the payroll as a mean of segregation of duties. Each staff is responsible for inputting, review, verification, approval and reconciliation of the payroll.

The Committee cited the DVC Administration Finance, and Development for incompetence as a result of this oversight.

12. Lack of Proper Management of Cash Advances

Cash advances were expensed immediately upon issue instead of being issued as imprests contrary to section 6.1 of the University's Finance Policies and Procedures Manual.

The management said that The University has been operating a system where subsistence allowance is expensed when taken and only transport imprest is surrendered on arrival from official duty. This is as per Financial policy and procedures manual (Policy manual 8.3.3(iii)).

The Committee concluded that the management was in breach of the law and cited the finance officer for incompetence and negligence.

13. Lack of Refundable Deposits Bank Account

Retention amount of KES.107, 027,249 and students caution money of KES. 22,212,800 were held in the university's operations accounts instead of specific deposit accounts contrary to Section 49 (2) of the university's financial Policy Manual.

The management stated that Maseno University operates within a highly constraining financial environment. They however appreciated the need to open these liability bank accounts. Notwithstanding this fact, the University has managed to pay all contractors certificates as they fall due and the caution money refunded for each group of graduating students every year. Going forward, they committed to open these bank accounts for the retention monies on contractors' certificates and students caution money.

The Committee resolved to make a determination on this matter later.

14. Irregular Engagement of Casual Workers

76 casual workers were engaged by the University for more than 6 continuous months contrary to the University Human Resource Policy and Procedure Manual section 3.3.6(b).

The management informed the Committee that the policy referred to casual workers and the University no longer has casual in place.

It was noted that there are eight (8) casual workers in the University currently serving in the farm.

The Committee shall make a determination on the matter.

4. <u>JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY</u>

The Committee resolved to reschedule appearance with this entity to Thursday, 17th August 2023 during which the former Vice Chancellor, procurement officer, and finance officer should be present.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/ 197: AOB

The Committee observed lack of capacity in public institutions and the need for the Treasury to build capacity of staff in these institutions.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/198 : ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 01:50 pm.

SIGNED: .... DATE: 22/11/23 ....

(CHAIRPERSON)

MINUTES OF THE 47TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 14th AUGUST, 2023 AT BEST WESTERN HOTEL, KISUMU COUNTY AT 2.30 PM

PRESENT

1. Hon. Jack Wanami Wamboka, MP - **Chairperson**
2. Hon. Daniel Karitho Kiili, MP
3. Hon. Alfa Ondieki Miruka, MP
4. Hon. Mark Muriithi Mwenje, MP
5. Hon. Chiforomodo Mangale Munga, MP
6. Hon. Thaddeus Nzambia Kithua, MP

ABSENT WITH APOLOGY

1. Hon. Lesuuda Josephine Naisula, OGW, MP - **Vice Chairperson**
2. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
3. Hon. Maurice Kakai Bisau, MP
4. Hon. Tonui Joseph Kipkosgei, MP
5. Hon. Moses Kirima Nguchine, MP
6. Hon. (Dr.) Shadrack Mwiti Ithinji, MP
7. Hon. Bonaya Mumina Gollo, MP
8. Hon. James Wamacukuru Githua Kamau, MP
9. Hon. Tonkei Rebecca Noonaishi, MP

IN ATTENDANCE

SECRETARIAT

1. Ms. Christine Ndiritu - Clerk Assistant I - Lead Clerk
2. Mr. Victor Fundi - Clerk Assistant III
3. Ms. Jane G. Ouko - Clerk Assistant III
4. Mr. Edwin Machuki - Fiscal Analyst III
5. Ms. Georgina Okoth - Research Officer III
6. Ms. Eunice Liavuli - Research Officer II
7. Mr. Derick Kathurima - Media Relations Officer
8. Mr. Collins Mahamba - Audio Recording Officer

OFFICE OF THE AUDITOR GENERAL

1. Mr. Felix K. Itonge - Auditor/Liaison Officer
2. Mr. Edward Okwach - Auditor
3. Ms Caroline Ndung'u - Senior Auditor

KISUMU NATIONAL POLYTECHNIC

1. Ms Catherine Kelonye - Chief Principal
2. Mr. Paul Maher - Finance Officer
3. Mr. Milton Omollo - Supply Chain Manager
4. Ms. Shamillah Iswa - Internal Auditor

SEME TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Kenneth O. Odero - Principal

2. Ms. Linet Anyango - Finance Officer

UGENYA TECHNICAL AND VOCATIONAL COLLEGE

1. Ms. Elizabeth Okullo - Principal
2. Mr. Simon Njoga - Finance Officer

BONDO TECHNICAL AND VOCATIONAL COLLEGE

1. Mr. Sawanda K Odero - Principal
2. Mr. Evans Okoth - Finance Officer
3. Ms. Mercy Ondigo - Internal Auditor

MIN.NO.NA/DAAOSC/PIC-G & E/2023/191: PRELIMINARIES

The chairperson called the meeting to order at 3:00 pm with a word of prayer and thereafter asked those present to introduce themselves. The agenda was confirmed as listed hereunder on the proposal of Hon. Alfa Ondieki Miruka, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
   i. Adoption of the Agenda;
   ii. Confirmation of minutes of previous sittings and matters Arising
3. **Response to the audit queries by various agencies in Nyanza Region;**
   i. Kisumu National Polytechnic;
   ii. Seme Technical and Vocational College;
   iii. Ugenya Technical and Vocational College;
   iv. Bondo Technical and Vocational College
4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAOSC/PIC-G& E/2023/192: CONFIRMATION OF MINUTES

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

MIN.NO. NA/DAAOSC/PIC-G&E/2023/ 193: RESPONSES TO THE AUDIT QUERIES BY VARIOUS AGENCIES

i. KISUMU NATIONAL POLYTECHNIC

The Committee directed the management to reappear the following day on 16th August,2023 accompanied by the former Principal who was the accounting officer in the 201812019 to 2019/2020 financial years.

ii. SEME TECHNICAL AND VOCATIONAL COLLEGE

FY2019/2020

The following audit queries for this financial year were marked as unresolved;

a) Unsupported Property Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflected an amount of Kshs.93, 475,625 for property, plant and equipment. The amount includes land at a cost of Kshs.3, 000,000 and buildings valued at Kshs.77, 500,000 that were acquired through donations during the year under review. However, no documentation was provided to support the valuation adopted for these assets.

Management Response

The management informed the Committee that valuation of land and buildings done. Further, supporting schedules for fixed assets procured during the year were provided to the auditor for verification (computer and accessories and furniture and fittings Kshs amounting to Kshs 534,105). The management also stated that there is a pending case challenging the ownership of the institute's land.

The Committee directed that the management liaise with the office of the Attorney General to offer legal assistance on this matter.

b) Inaccuracies in the Statement of Cash Flows

The statement of financial performance as disclosed in Note 7 to the financial statements, reflected revenues on rendering of services (fee from students) amount of Kshs 3,051,004. However, the statement of cash flows reflects an amount of Kshs 4,154,096 on the same item, resulting to an unexplained and unreconciled variance of Kshs 1,103,092. In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

Management Response

The management stated that the difference of Kshs 1,103,092 is due to application of accrual accounting policy in recognition of rendering of services of Kshs 3,051,004 reported in Financial Performance statement as per attached summary and cash accounting policy for collections from rendering of Kshs 4,154,096 reported in Cash flow statement as per summary attached.

The Committee stated that it will deliberate and decide on this matter at a later date.

c) Disputed Ownership of Land and Lack of Title Deed

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment of Kshs.93, 475,625. Review of records provided for audit revealed that the College does not have a title deed for the land valued at Kshs.3, 000,000 on which it stands. Information availed for audit revealed that in the month of March, 2021 a citizen went to court claiming ownership of part of the land and the case is pending determination. In the circumstances the ownership of the college land valued at Kshs.3, 000,000 could not be confirmed.

Management Response

The management in response stated that a report from the office of the attorney general's office on status of the land case claiming ownership of part of the land is that no progress has been made since 2021 since the claimant has since seemed to have given up on case failing to appear for the hearing since January 2022.

The Committee advised the management to liaise with the Office of the Attorney General to petition the Court to strike out the case for failure by the plaintiff to move the court on the above matter.

d) Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.13, 445,300 and Kshs.8, 268,504 respectively resulting to shortfall of Kshs.5, 176,796 or 39% of the approved budget.

Similarly, the college spent a total of Ksh.5, 377,446 against an approved expenditure budget of Kshs 13,445,300 resulting to under expenditure of Kshs 8,067,854 or 60% of the budget.The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to citizens.

Management Response

The management in its response agreed that it did not collect all the projected receipts and as a result had an under spending. Further, it committed to strive in future to meet its budget targets.

The Committee resolved to invite the Principal Secretary to appear before the Committee and shed light on why most institutions are unable to meet their Budgetary Performance targets.

e) Failure to Maintain an Assets Register

The statement of financial position and as disclosed in Note 18 to the financial statements, reflects property, plant and equipment balance of Kshs.93,475,625 However, management did not provide an assets register. This is contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates 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 law. In the circumstances, Management was in breach of the Regulation.

Management Response

The management provided a fixed asset register for verification by the auditor.

The Committee recommended that the Principal be reprimanded for negligence for failing to provide the required documents to the auditors for verification on time.

f) Lack of Segregation of Duties in Cash and Stores Management

During the financial year under review, it was noted that the duties of handling cash, maintaining cashbook, preparation and checking bank reconciliations were being handled by one person. Similarly, one officer oversaw the procurement process and also received, issued and recorded all store transactions. In the circumstances, the segregation of duties was ineffective, and errors and fraud may not be detected.

Management Response

The management informed the Committee that it engaged an Accounts clerk in June 2022 to ensure the segregation of cash-handling duties as per the attached contract and job description. Further, with effect from June 2023, the management assigned store management duties to a suitable support staff effect to ensure segregation of duties in Stores and Procurement management as per attached contract and job description.

The Committee directed the auditor to confirm compliance and report back in the next audit cycle.

FY 2020/2021

The following audit query was marked as unresolved;

a) **Non- Remittance of Statutory Deductions**

The statement of financial position and as disclosed in Note 18 to the financial statements, reflects trade and other payables from exchange transactions of Kshs.3,683,469 which includes statutory deductions for PAYE, NSSF and NHIF payables of Kshs.52,708, Kshs.33,828 and Kshs.95,111 respectively, all totaling to Kshs.181,647 had not been remitted as at 30 June, 2021.

Management Response

The management committed before the Committee to pay all statutory deductions.

The Committee directed that the management prioritizes and complies with the law by ensuring timely remittance of all statutory deductions.

Further the Committee noted that the rest of the audit queries were recurring from the previous financial year 2019/2021.

iii. **UGENYA TECHNICAL AND VOCATIONAL COLLEGE**

FY 2018/2019

The following audit queries were marked as unresolved;

a) Accuracy of the Financial Statements

The statement of comparison of budget and actual amounts reflects kshs.657,280.00 in respect to performance difference of total expenditure. However, re-computation of the balances gave kshs.2,498,388.00 resulting to an unexplained variance of kshs.1,841,108.00. In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

The management stated that the error was noted as a typing error and has since been corrected accordingly. Further, it also ensured that there was no recurrence of such an error in the subsequent financial year.

The Committee recommended that the accounting officer be reprimanded for negligence.

b) Valuation of Assets - Property, Plant and Equipment

As disclosed in Note 13 to the financial statements, the statement of financial position as at 30th June, 2019 reflects kshs.53,635,305.00 on Property, Plant and Equipment which comprised of the valued balance of kshs. 55,159,669.00 less depreciation of kshs.1,524,364.00. However, and as disclosed in the statement of changes in net assets, kshs.55,159,669.00 may not be reliable as the College assets were valued by a committee formed by the principal without a professional valuer. In the circumstance, the completeness, accuracy and authenticity of the kshs. 53,635,305 could not be confirmed.

Management Response
The management informed the Committee that it has engaged the Ministry of Public Works to value the college assets from 17th July, 2023 and already has acquired a commitment letter from Ministry of Public Works.

The Committee directed that the former principal appears on 17th August,2023 to conclusively address this query.

<u>FY 2019/2020</u>
The following audit queries were marked as resolved;

a) Inaccurate statement of changes in net assets
b) Inaccurate statement of cash flow
c) Lack of internal audit function and functional audit committee
d) Failure to develop staff establishment
e) Lack of approved policy documents

The following audit query was marked as unresolved;

a) Budgetary control and performance
The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to kshs.48,385,650.00 and kshs.24,182,600.00 respectively, resulting to an underfunding amounting to kshs.24,203,050.00 or 50% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to kshs.48,385,650.00 and kshs.15,245,380.00 respectively, resulting to an underperformance amounting to kshs.33,140,270.00 or 68% of the budget. The underfunding and under expenditure affected the planned activities and may have impacted negatively on the college's performance.

Management Response
The management stated that the underperformance was occasioned by the out-break of the corona pandemic in March 2020 that led to suspension of training in all the learning institutions until the end of the financial year 2019/2020F/Y. The college was therefore denied the opportunity to collect tuition fees and examination fees from students even though these funds had been included in the budget projections for the said financial year.

Further, it submitted that the operational grant of kshs. 12,000,000.00 projected to be received from the Government of Kenya was realized to the tune of kshs.1,000,000.00 hence, the underfunding that led to under expenditure that affected the planned activities and impacted negatively on the college's performance.

The Committee resolved to invite the Principal Secretary to appear before the Committee and shed light on why most institutions are unable to meet their Budgetary Performance targets.

<u>FY 2020/2021</u>

The following audit query was marked as unresolved;

a) Non- compliance with the law on Ethnic composition

During the year under review, the total number of employees of the college was 50 out of with 42 of the total number were members of the dominant ethnic community in the County. This is contrary to section 7(1& 2) of the National Cohesion and Integration Act ,2008 which states that all public offices shall seek to represent the diversity of the people of Kenya.

Management Response

The management informed the Committee that compliance with the law on ethnic diversity has been a challenge based on the fact that most of the persons who express interest in the available job opportunities are the locals.

The Committee directed the management to make deliberate efforts to reduce the huge disparity.

iv. BONDO TECHNICAL AND VOCATIONAL COLLEGE

<u>FY 2018/2019</u>

The following audit queries were marked as unresolved;

a) Property, Plant and Equipment

As disclosed in Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.586, 166,589 under property, plant and equipment as at 30 June, 2019. Information available indicates that the Institute received a generator of undetermined value from the Ministry of Vocational Training but ownership documents were provided for audit review. Further, the assets were not tagged and the Institute does not maintain a comprehensive fixed asset register.

Management Response

The management stated that it has now put in place an asset register which is now fully operational.

The Committee cited the accounting officer for incompetence.

b) Rendering of Service- Fees from Students

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects revenue receipts of Kshs.88, 329,962 in respect of rendering of services. However, the bank statements provided for audit reflected receipts of Kshs.71, 379,979 resulting in an unexplained variance of Kshs.16, 949,983.

Management Response

The unexplained Variance of Ksh. 16,949,983 remains unresolved as the records for the period cannot be retrieved as the former Accounts clerk did not hand over and left the institution without notice.

The Committee directed that the Accounts Clerk should appear to shed light on this matter.

c) Going Concern Uncertainty

The Institute current liabilities balance of Kshs.117,831,342 exceeded the current assets balance of Kshs.82,929,186 resulting in a negative working capital of Kshs.34,902,156 as at 30 June, 2019. The Institute is therefore technically insolvent. The financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from both the National and County Governments, creditors and bankers. The going concern uncertainty has not been disclosed in the financial statements.

Management Response

The principal informed the Committee that the institution has been able to grow over the years and resolved this issue with the improved student enrollment of 3023 as per the 2021 audited financial statements. The current liability as of June 2021 was ksh.65, 683,260 against current assets of Ksh.209, 320,474.47 resulting in a positive working capital of Ksh.143,637,214.47.

The Committee directed the management to avail the required documentation to the auditors for reconciliation.

d) Unsupported Trade and other Payables from Exchange Transactions

The statement of financial position reflected a balance of Kshs.9, 687,310 under trade and other payables. However, customer account statements (invoices) detailing the invoiced amounts, payments received and the account balances as at 30 June, 2019 were not provided for audit review.

Management Response

The management stated that it had since cleared these debts and reconciled the supplier statements which are maintained through the ERP system.

The Committee directed the management to furnish the auditor with documents for verification.

e) Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflected budgeted revenue and actual on a comparable basis of Kshs.149,614,000 and Kshs.134,985,996 respectively resulting in an under-funding of Kshs.14,628,004. Similarly, the Institute spent a total of Kshs.110,695,364 against an approved budget of Kshs.142,551,887 resulting in an under-expenditure of Kshs.31,856,523 or 22% of the budget. However, explanations for the variations in the budget performance were not provided for audit review. Further, the underfunding affected the planned activities and may have negatively impacted on service delivery to the public.

Management Response

The management stated that the under-expenditure during that period was due to a lack of funds because it did not receive capitation for Ksh. 8,250,000. Further students did not fully pay for the services rendered and therefore the outstanding students' debts grew to Kshs. 60,392,336. This led to cash flow issues as evidenced by the negative working capital, already queried above.

The Committee advised the management to be realistic during the budget-making process and also come up with more income-generating sources so as to reduce reliance on capitation from the government.

f) Lack of an Approved Staff Establishment

The Institute recruited five (5) staff of different cadres during the financial year under review. However, the Institute did not have an approved staff establishment and it is not clear how the vacancies were identified. This is also contrary to Section 57 of the Public Service Commission Act, 2017 which states that the Commission should discharge its duty by monitoring, and evaluating a public body's staffing needs including establishment and terms and conditions of service. Consequently, the Management was in breach of the law.

Management Response

The management stated that the Board on 22nd July 2021 discussed and approved the staff establishment as per the attached minutes and the staff establishment. Further, the institution now does recruitment based on a request and approval of the Principal Secretary, Ministry of Education, State Department of Vocational and Technical Training.

The Committee will decide and make recommendations on the above subject matter at a later date.

g) Acquisition of Integrated Management Information System

The Institute acquired an Integrated Information System at a cost of Kshs.1,490,000 with respect to two modules namely, the student management module and finance management module. The finance management module was supposed to generate financial reports including trial balance, general ledger, cash book, income statement and statement of financial position. Notably the finance management module could not generate the above reports as stated thus there was no value for money from the expenditure of Kshs.1,490,000 incurred on acquiring the Integrated Information System.

Management Response

The management stated that the finance Module helps in data capture that forms the basis of the financial statements. The initial data was largely on the students' management and other aspects of Asser and inventory management were not catered for. Further, the institution is in the process of acquiring the Human Resource & Payroll Management, Stores, Procurement and Asset Management module. This will boost the ERP to produce the needed reports.

The Committee directed the management to furnish the auditor with the required documentation for reconciliation.

h) Construction of Bondo Technical Training Institute Applied Science Complex Phase 1

The statement of financial performance reflected an expenditure of Kshs.20,923,060 under contracted services which, as disclosed in Note 10 to the financial statement, includes an amount of Kshs.12,707,768 in respect of Applied Science Complex Phase I. The construction of the Institute's Applied Science Complex Phase 1 was awarded at a contract sum of Kshs.27,423,618 out of which a total of Kshs.19,503,351 had been paid since the start of the project on 21 March, 2018 up to 30 June, 2019. However, physical verification revealed that construction was 71% complete in September, 2020 as per the certificates provided. However, the contractor was not on site and the building was being damaged by rain making the structure weak.

Management Response

The management stated that the Applied Science Complex Project belonged to Bondo TTI but was fully funded by MOE at the initial stages. It stalled for almost two years due to lack of funding. The project has since been done up to 95% level of completion.

The Committee directed the management to provide all documentation concerning the project for verification by the auditor within 2 weeks.

i) Lack of an Internal Audit Unit

The Institute did not have an Internal Audit Unit and the Audit Committee did not hold any meetings to enhance oversight, governance, accountability and transparency within the Institute. Consequently, the Institute's resources may be misused.

Management Response

The principal stated that the institution hired an internal Auditor in December 2020. The Audit Committee has been meeting on a quarterly basis and meets quarterly basis. The management has worked on the said documents and the Board has approved the Audit Charter, risk based annual work plan and the Risk Policy framework in 2021 and 2022 respectively.

j) Failure to Approve the ICT Policy Documents

The ICT Department has a draft ICT Policy that is yet to be approved affecting the realization of the ICT objective in addressing ICT concerns. Further, the ICT Department did not have an ICT Strategic Committee that checks issues dealing with IT governance. This is contrary to Section 110(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer for a national government entity should institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business Consequently, the Institute internal control is weak putting the resources of the Institute at risk.

Management Response

The management stated that the ICT Policy was approved by the Board in April 2021, and attached a copy of the policy to show compliance.

The Committee directed that the management furnishes the auditor with the minutes that approved the ICT Policy.

FY2019/2020

The following audit queries were marked as resolved;

a) Appointment of the Principal to the Institute

The following audit queries were marked as unresolved;

a) Accuracy of Cash and Cash Equivalents Balance

The statement of financial position as at 30 June, 2020 reflects a cash and cash equivalents balance of Kshs.83,905,463 as disclosed in Note 17 to the financial statements. However, the cash book reflects a balance of Kshs.102,332,836 resulting in the unexplained variance of Kshs.18,427,373. Further, it was noted that the reported cash and cash equivalents balance is based on end-of-year balances as per bank confirmation certificates, and the Management did not prepare monthly bank reconciliations contrary to Regulation 90 of the Public Finance Management (National Government) Regulations, 2015 which states that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the tenth day of the subsequent month to The National Treasury with a copy to the Auditor-General.

In addition, it was also noted that the cash books generated from the Enterprise Resource Plan (ERP) did not include cash withdrawals made from the Institute's account at Equity bank totalling to Kshs.30,218,520, out of which Kshs.7,484,039 was supported by payment vouchers and the balance of Kshs.22,734,481 was not supported.

Management Response

The management stated that the cash and cash equivalent balances used were as per the bank certificates which reflected the true position as bank reconciliations were not done during the said period. Further, it stated the Management has put in place structures and Monthly bank reconciliation has currently been submitted to the National Treasury alongside the quarterly reports. We have also provided the same to the Auditor General during the Audit.

The cash withdrawals that were not posted in the ERP system and not supported payment vouchers refer to amounts that were withdrawn fraudulently and the monies were not received within the institution. The case referenced the former Finance Officer, the Board discussed and reported to the DCIO who took up the matter. The matter was taken to Court and the case was determined.

The Committee will decide and give a recommendation at a later date.

b) Unsupported Inventory Balance

The statement of financial position also reflected an inventory balance of Kshs.2,476,634 as disclosed in Note 20 to the financial statements. The balance remained constant compared to the prior year. However, it was noted that no stock-taking was carried out by the Institute at the close of the year in support of the inventory balance of Kshs.2,476,634.

Management Response

The Management stated that in the FY 2019/2020, the annual stocktake was not done, this was attributed to the fact that the institution closed during the Covid-19 pandemic in March 2020. Most of the inventories were not consumables. The items remained fairly the same.

The Committee directed that the management be cited for incompetence.

c) Ownership, Presentation and Variance of Property, Plant and Equipment

The statement of financial position reflected a property, plant and equipment balance of Kshs.476,356,511 as disclosed in Note 21 to the financial statements. Included in the amount is land and buildings balance of Kshs.330,000,000. It was noted that the Institute occupies a piece of land comprising six (6) parcels measuring over 30 acres but has not processed title deeds for all the parcels of land and the ownership of one of the parcels of the land is in dispute and the matter is in Court.

Management Response

The institution has five copies of the Title deed, and the Parcels of land have been reserved for Bondo Technical Training Institute. The management is in the process of following up with the County Government of Siaya to have the titles transferred to Bondo TTI. One Parcel of land was disputed. The issue had been taken to Court and the institution lost the case.

The Committee directed that the management regularizes this matter within a period of 6 months.

d) Procurement of Student Accommodation for Students

The statement of financial performance reflects expenditure on the use of goods and services of Kshs.25,764,866. Included in the balance are administration fees of Kshs.21,061,711 which further includes Kshs.8,274,000 paid to various suppliers as accommodation expenses for students during the year under review as per the signed tenancy agreements between the landlord and the Institution. However, user requisition was not provided to support the payment of accommodation expenses. Further, records were not provided to indicate how the suppliers were identified and contracted to offer accommodation services to students contrary to section 106(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity; and that at least three persons shall submit their quotations prior to evaluation.

Management Response

The management stated that the engagement of the landlords for provision of students' accommodation has since been normalized and is now done through a procurement process. Only those who are prequalified are considered.

The Committee directed that the former Principal appear to shed light on this matter.

e) **Irregular Payment of Sitting Allowance**

The statement of financial performance reflected expenditure on the remuneration of directors of Kshs.1,233,096 as disclosed in Note 12 to the financial statements. Included in the balance is an amount of Kshs.407,132 paid to the principal and deputy principal of the Institution in form of sitting allowances for attending Board of Governors meetings contrary to section 10 of the State Corporations Act and Circular OP/CAB.9/21/2A/LII dated 24 March, 2005 which states that, the chief executive officers and the employees of a state corporation are not entitled to sitting or other allowances.

Further, expenditure on remuneration of directors include an amount of Kshs.123,563 being sitting allowances paid to the County Director of TVETs. However, it was noted that the officer had not been appointed to the Council of the Institution in writing as per the directive contained in circular OP/CAB.9/1A dated 18 October, 2019 and Circular OP/SCAC.9/73A (48) dated 4 May, 2015 which requires that, board members be issued with appointment letters by the respective Cabinet Secretaries and that that every board member should signify their acceptance of the appointment in writing.

Management Response

The management stated that the above allowances were approved by the Board of Governors during its inaugural meeting on 21/1/2019. Based on the OAG report and recommendations, such allowances were henceforth stopped and the Principal and deputy do not draw any allowances during such meetings.

The Committee directed that all officers who were paid the allowances to be surcharged and are required to pay back in 3 months.

FY2020/2021

The following audit queries were marked as resolved;

a) Unsupported Employee Costs
b) Unsupported Repairs and Maintenance Expenditure
c) Unsupported Inventories

The following audit queries were marked as unresolved;

a) **Unconfirmed Security Expenses**

The statement of financial performance reflected the use of goods and services expenditure amounting to Kshs.75,653,816 which includes security expenses amounting to Kshs.929,052. A review of records revealed that Management outsourced security services from a local security firm vide a contract signed on 23 July, 2019 which was to run up to 30 June, 2021 and with a monthly expenditure of Kshs.80,000 inclusive of VAT, which translated to Kshs.960,000 payable during the year under review. However, the financial statements reflect an amount of

Kshs.929,052 while the supporting schedule reflects an amount of Kshs.977,052 resulting to unexplained and unreconciled variances of Kshs.30,948 and Kshs.17,052 respectively.

Management Response

The management stated that the security fee for the year was well indicated as shown in the Financial statements, detailing the composition of Ksh 929,052.00 Further, there was Ksh. 160,000.00 included in the opening balance of security fees as accrued security expense. However, we realized that the amount had already been paid on 28th May 2020 and 25th June 2020.

The Committee directed that the former Principal appears to answer the above subject matter.

b) **Unsupported Administrative Cost**

The statement of financial performance reflected the use of goods and services amounting of Kshs.75,653,816, as disclosed in Note 13 to the financial statements, which includes administrative costs amounting to Kshs.9,279,672. However, the expenditure schedules provided in support of the amount had a total amount of Kshs.8,255,539 thereby resulting in an unexplained and unreconciled variance of Kshs.1,024,133.

Management Response

The management stated that the variance related to accrued expenses in relation to administration expenses for the year ended 2021.

The Committee directed that the Accounting Officer be surcharged Kshs.1,024,133.

c) **Unsupported Meals Expenses**

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.75,653,816 which includes meals expenses amounting to Kshs.8,994,900. However, the schedules provided in support of the amount had a total amount of Kshs.6,674,300 thus resulting to an unexplained and unreconciled variance of Kshs.2,320,600.

Management Response

The management admitted that indeed there was a variance relating to accrued meal expenses.

The Finance Officer was cited for incompetence due to negligence.

d) **Unsupported Attachment and Medical Expenses**

The statement of financial performance reflected the use of goods and services expenditure amounting to Kshs.75,653,816 which includes attachment and medical expenditure amounting to Kshs.1,266,715. However, the schedules provided in support of the amount had a total expenditure of Kshs.822,822 resulting to an unexplained and unreconciled variance of Kshs.443,893.

Management Response

The management confirmed that the total cost of Attachment and Medical Expenses were well stated and the variance is due to accrued medical expenses.

The Committee directed that the Finance Officer be surcharged.

e) **Non-compliance with the Law on Ethnic Composition**

During the year under review, the total number of employees of the Institute was eighty-one (81) out of which seventy-one (71) or 88 % of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

Management Response

The Principal stated that upon undertaking interviews, the board only appoints a candidate based on merit. The college advertises for vacant positions in daily newspapers accessible to the public. The same advertisement is posted to the school's website for public access. The management, however, confirmed that this has not been very easy to achieve due to the geographical location of the Institution and political influences which have resulted to very low number of job applicants from other ethnic communities.

The Committee directed that moving forward the institute must comply with the law in all its appointments.

MIN.NO. NA/DAAOSC/PIC-G & E/2023/194: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 07:03pm. The next meeting will be held on Tuesday 15th August, 2023.

SIGNED: .... DATE: ....22/11/23.............

(CHAIRPERSON)

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 JUL 2024 DAY. THUR

TABLED BY: HON NAISULA LESUUDA (VICE-CHAIRPERSON)

CLERK-AT THE-TABLE: ANNE SHIBUKO