THE NATIONAL ASSEMBLY
PAPERS LAID
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THIRTEENTH PARLIAMENT- FIFTH SESSION

THE NATIONAL ASSEMBLY

THE NINTH 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 (RIFT VALLEY REGION) FOR THE FINANCIAL YEARS 2018/19, 2019/20, 2020/21, 2021/2022, 2022/2023 &2023/2024

DIRECTORATE OF AUDIT, APPROPRIATIONS & OTHER SELECT COMMITTEES

THE NATIONAL ASSEMBLY

PARLIAMENT BUILDINGS

NAIROBI

FEBRUARY 2026

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LIST OF ABBREVIATIONS/ACRONYMS

NG-CDF	-	National Government Constituency Development Fund
CEO	-	Chief Executive Officer
CS	-	Cabinet Secretary
ERP	-	Enterprise Resource Planning
FY	-	Financial Year
GoK	-	Government of Kenya
HELB	-	Higher Education Loans Board
IAS	-	International Accounting Standards
ICT	-	Information and Communication Technology
IPSAS	-	International Public Sector Accounting Standards
KES/ KSHS.	-	Kenya Shillings
MOE	-	Ministry of Education
OAG	-	Office of the Auditor General
PFMA	-	Public Finance Management Act, No. 18 of 2012
PPAD	-	Public Procurement and Asset Disposal Act, No. 33 of 2015
TVC	-	Technical and Vocational College
TVET	-	Technical and Vocational Education Training

CHAIRPERSON'S FOREWORD

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

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

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

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

This report contains observations, findings and recommendations arising from the examination of reports of the Auditor-General of fifteen (15) State Corporations for three financial years, with some financial years running up to six years to the latest, 2023/24 FY. The report is structured as follows:

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

ii) recommendations to each of the above;

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

iv) management responses to each of the queries;

v) Committee observation/ findings on each query; and

vi) recommendations of the Committee to each query raised.

In this report, the Committee makes policy recommendations that it deems will cure financial and audit challenges and at the same time recommends specific actions against specific officers who may have acted contrary to the law. It further recommends further investigations of certain matters by the relevant investigative agencies, such as the EACC and the DCI. All this is geared towards ensuring prudent use of public resources and holding all persons 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 the Committee during the entire period, as well as those Accounting Officers who complied with audit timelines and provided satisfactory responses to queries raised.

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present the ninth Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for fifteen (15) State Corporations

HON. WANAMI WAMBOKA, MP

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION

EXECUTIVE SUMMARY

The 9th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of fifteen (15) State Corporations.

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

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

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

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

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

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

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

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

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

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

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

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

    Part I-Principles of Public Finance

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

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

    Part 6-Control of Public Money

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

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

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

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

the Public Finance Management Act, Cap. 412A

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

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

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

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

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, CBS, MP.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon Antoney Kibagendi, MP

Kitutu Chache South

ODM Party

The Hon Alfa Miruka, CBS, MP

Bomachoge Chache Constituency

UDA Party

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

Sotik

UDA Party

The Hon. Bonaya Gollo, MP

Isiolo County

Jubilee Party

The Hon. Mark Mwenje, CBS, MP.

Embakasi West Constituency

Jubilee Party

The Hon. Shadrack Mwiti, MP.

Imenti South Constituency

Jubilee Party

The Hon. Thuddeus Nzambia, MP.

Kilome Constituency

WDM Party

The Hon. Moses Kirima, MP

Imenti Central Constituency

UDA Party

The Hon.Wamacukuru Githua, CBS, MP.

Kabete Constituency

UDA Party

The Hon. Daniel Karitho, MP

Igembe Central Constituency

Jubilee Party

The Hon. Maurice K. Bisau, MP.

Kiminini Constituency

DAP-K Party

The Hon. Chiforomodo Munga, MP

Lungalunga Constituency

UDM Party

The Hon. Rebecca Tonkei, MP.

Narok County

UDA Party

The Hon. Joseph Tonui, MP

Kuresoi South Constituency

UDA Party

1.3 Committee Secretariat

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

Ms. Christine Ndiritu

Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi

Clerk Assistant III

Ms. Winny 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 II

Mr. Stephen Otieno

Sergeant at Arms

Mr. Collins Mahamba

Audio Officer

Mr. Derrick Kathurima

Media Relations Officer

Ms. Mary Kamande

Protocol Officer

1.4 Committee proceedings

5. To produce this report, the Committee held nineteen (19) sittings in which it examined the audited financial statements of fifteen (15) State Corporations and the accompanying Reports by the Auditor-General.

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

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

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

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

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

2.1 Understaffing in the TVET institutions

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

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

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

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

unaddressed by certain agencies, which only took action after being summoned by the Committee.

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

2.3 Late submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. The Committee, in subsequent audits, will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

2.4 Unsecured/ untitled land holdings

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

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

The government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land

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

2.5 Failure to adhere to gender, ethnicity and regional balance

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

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

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

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

3.0 ALDAI TECHNICAL TRAINING INSTITUTE

1. Ms. Sally Lukoi, The Principal, accompanied by: -
    i. Peter Sagas – Accountant
    ii. Ammon Kiptarus- Internal Auditor
    iii. Duncan Koech- Procurement Officer

    Appeared before the Committee to adduce evidence on the audited accounts of Aldai Technical Training College, on 11th September 2024.

3.1 Audited Statements for Financial Year 2018/19 (Disclaimer of Opinion)

3.1.1 Presentation of Financial Statements

2. An audit review of the financial statements for the year ended 30 June, 2019 and other information which should accompany them as prescribed by the Public Sector Accounting Standards Board revealed the following anomalies:
    i. Review of performance for the year under review has not been provided.
    ii. The report of the principal on page ix of the annual report for the year ended 30 June, 2019 indicates that the institution received an amount of Kshs.5,070,000 for capitation whereas the statement of financial position shows the amount of as at Kshs.5,070,000 as receivables from non-exchange transactions 30 June, 2019. This is an indication that the amount was not received in the year under review.
    iii. Other income of Kshs.4,000 has been referenced to Note 15 to the financial statements in the statement of financial performance whereas Note 15 refers to use of goods and services.
    iv. The statement of financial performance indicates use of goods and services of Kshs.26,251,319 as being under Note 16 to the financial statements whereas note 16 actually refers to employee costs.
    v. Similarly, the statement of financial performance reflects employee costs of Kshs.4,691,079 as being under Note 17 to the financial statements whereas Note 17 is in respect of renumeration of directors.

vi. In addition, the cash and cash equivalents balance of Kshs. 1,288,053 in the statement of financial position has been referenced to Note 28 to the financial statements whereas Note 28 relates to receivables from exchange transactions.

vii. Similarly, the balance of receivables from exchange transactions of Kshs.7,895,870 has been referenced to Note 29 to the financial statements in the statement of financial position, whereas Note 29 relates to receivables from non-exchange transactions.

viii. Further; the receivables from non-exchange transactions balance of Kshs.5,070,000 has been referenced to Note 30 to the financial statements in the statement of financial position whereas Note 30 relates to inventories.

ix. The trade and other payables from exchange transactions balance of Kshs.5;568,043 has been referenced to Note 36 to the financial statements in the statement of financial position whereas Note 36 relates to refundable deposit from customers/students.

x. Similarly, the refundable deposit from customer's balance of Kshs. 524,172 has been referenced to Note 37 to the financial statements in the statement of financial positio11, whereas Note 37 relates to current provisions.

xi. Progress on follow-up of auditor recommendations, projects implemented by the entity, status of project completion, inter-entity transfers, and recording of transfers from other government entities have not been disclosed in the appendices to the financial statements.

xii. The ICPAK number of the accountant who signed the statement of financial position has not been indicated.

3. Consequently, the financial statements do not comply with the requirements of the IPSAS and Public Sector Accounting Standards Board templates.

4. Further, the asset register availed for audit review indicates buildings whose cost of acquisition was Kshs.14,095,472. However, the value of these buildings has not been included in property, plant and equipment. The details are provided below;

S/No.	Description	Year of Acquisition	Cost (Kshs.)
1.	Ablution Block	2017	**1,761,250**
2.	Block Making Shed	2017	2,787,500
3.	Water System	2017	3,071,375
4.	Generator House	2018	499,440
5.	Computers	Not indicated	4,050,186
6.	Electrical tools	Not indicated	927,400
7.	Furniture and fittings	Not indicated	832,721
8.	Kitchen appliances	Not indicated	165,600
	Total		**14,095,472**

5. In addition, the buildings listed below have not been valued and recognized as part of property plant and equipment and this has not been disclosed in the financial statements.

S/No.	Description	Year of Acquisition	Cost
	Security Office	2015	-
	Pit Latrine	2015	-
	Ladies Hostel	2015	-

6. In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.15,798,131 as at 30 June, 2019 could not be

confirmed.

Management Response

7. The management took note of the observations made by the Auditor General and wishes to confirm that it is true that the institute did not have an ICPAK registered accountant at the time of audit and that it has since employed a qualified and registered accountant and subsequently ensuring compliance with Public Sector Accounting Standards Board (PSASB) in subsequent financial years after 2019/2020, financial years 2018/2019 and 2019/2020 were audited concurrently therefore implementation of audit recommendations were effected from financial year 2020/2021.

Committee Observation

8. Management has recruited an accountant who is an ICPAK Member and the current financial Statements comply with PSASB reporting requirements.

3.1.2 Variances between financial statements and supporting schedules

9. Review of financial statements revealed variances between the financial statements and ledger figures/supporting schedules for six uses of goods and services components

Management Response

10. We acknowledge the observations made by the Auditor General and confirm that the variances in the financial statements and ledgers are accurate. The ledger values disclosed actual payments while the financial statements reflect the actual and the payables as per the attached schedule. For other expenses it's a cumulation of the ledger values of; medical, library, capacity building, ICT fees, registration, students' ID and bank charges in. An amount of Ksh.3300 on insurance was a payable amount, which was not captured in the ledger

Committee Observation

11. The institution had not recorded the required journal entries to correct the ledgers. Additionally, the financial statements were prepared by an assistant accountant who possessed a CPA Section II certification, which is contrary to ICPAK requirements, as

financial statements must be signed by a qualified accountant with an ICPAK registration number.

Committee Recommendation

12. The institution should always comply with IPSAS I, which provides guidance on the presentation of financial statements.

3.1.3 Property, Plant and Equipment

13. Available records indicate that the institution stands on a 20.23-hectare piece of land title reference number Nandi/Kemeloi/1152 in Nandi County. However, the land has not been valued and recognized as part of the assets as disclosed in the financial statements. The asset register availed for audit review indicates buildings whose cost of acquisition was Kshs.14,095,472. However, the value of these buildings has not been included in property, plant and equipment.
14. A pit latrine, ladies' hostel and a security office, all constructed in the year 2015 have not been valued and recognized as part of property, plant and equipment and this has not been disclosed in the financial statements

Management Response

15. The management took note of the Auditor Generals observation and wishes to confirm that it is true that the institute did not report the above-mentioned assets because of the challenges associated to valuation and/or obtaining values of assets donated by Ministry of Education and other donors besides IPSAS 33 paragraph 36 allows first time adoption of IPSAS up to three years to report on assets. Nevertheless, the institute took the initiative of liaising with the state department of TVET under the Ministry of Education to get the costs of the assets donated and subsequently included all the assets in the financial statement of the subsequent financial years.

Committee Observation

16. The matter is resolved. The Office of the Auditor General was satisfied with the response provided by management.

3.1.4 Cash and Cash Equivalents

17. The statement of financial position as at 30 June, 2019 reflects a cash and cash equivalents balance of Kshs.1,288,053. However, the bank reconciliation statements, cash book, certificate of bank balances and the bank statement for the development account were not availed for audit review.
18. Consequently, the accuracy and completeness of the cash and cash equivalents figure of Kshs.1,288,053 as at 30 June, 2019 could not be confirmed.

Management Response

19. The management took note of the Auditor General's observation and wishes to confirm the bank statements for the development account have been provided. Also, the cashbook balance and the bank statement balance had no variance as all bank charges had been recorded in the adjusted cash book.

Committee Observation

20. The matter is resolved. The Office of the Auditor General was satisfied with the response provided by management.

3.1.5 Receivables from Exchange Transactions

21. The statement of financial position as at 30 June, 2019 reflects receivables from exchange transactions figure of Kshs.7,895,870. However, there was no evidence that that management carried out an assessment of impairment of receivables including preparation of an aging analysis for trade receivables.

Management Response

22. Statement of financial position as at 30 June 2019 reflects receivables from exchange transactions of Kshs. 7,895,870. However, there was no evidence that that management carried out an assessment of impairment of receivables including preparation of an aging analysis for the trade receivables

Committee Observation

23. The management explained that the receivables were due within the year, no evidence was provided. Further, no evidence has been provided to indicate that the receivables were

subsequently received, hence no need for the impairment. Receivables are currently being aged.

Committee Recommendation

24. The institution should always comply with IPSAS I, which provides guidance on the presentation of financial statements.

3.1.6 Trade and Other Payables from Exchange Transactions

25. The statement of financial position reflects a trade and other payables from exchange transactions balance of Kshs. 5,568,043 as at 30 June 2019. However, the balance has not been supported with an aging analysis, creditors' ledger, and suppliers' account statements. In addition, out of this balance, an amount of Kshs.404,153 has been classified as unpaid per-diems. The management has not provided documents to support this amount.
26. Further, included in the trade payables balance of Kshs.5,533,883 as disclosed in Note 35 to the financial statements, is an amount of Kshs.4,008,784 which was not supported with contract agreements, requisitions, tender opening minutes, tender evaluation minutes, inspection and acceptance committee minutes; professional opinion, delivery notes, good received notes. The details are provided below;

No.	Suppliers Name	Amount (Kshs.)
1.	Eldoline Enterprises	751,405
2.	Taai Tech Solutions	641,449
3.	Namgoi Furniture House	589,000
4.	Koswil Africa Holdings	519,865
5.	Talent Accessories	347,100
6.	Malei Holdings	295,525
7.	Kitambo Emporium	250,000
8.	Jacem Enterprises	248,770

9.	Kitoroch Building Con.	185,570
10.	ltet General Supplies	180,100
	Total	**4,008,784**

27. Consequently, the accuracy, completeness and validity of the trade and other payables from exchange transactions figure of Kshs.5,568,043 as at 30 June, 2019 could not be confirmed.

Management Response

28. Management took note of the Auditor General's observation and wishes to confirm the trade payables were within the financial year, though it had not aged; consequently, management has subsequently aged its trade payables.

Committee Observation

29. The matter is resolved. management provided contract agreements, requisitions, tender opening minutes, tender evaluation minutes, and professional opinion. However, ageing analysis for the trade and other payables has not been provided. Further, the ageing analysis for payables is currently being conducted.

3.1.7 Accuracy of the Statement of Comparison of Budget and Actual Amounts

30. The statement of comparison of budget and actual amounts for year ended 30 June, 2019 reflects total expenditure of Kshs.4,691,079 whereas the statement of financial performance indicates a total expenditure of Kshs.35,022,870 resulting in an unexplained variance of Kshs.30,331,791.

Management Response

31. The management took note of the Auditor Generals observation and regrets to confirm that there was an omission of an amount of Kshs. 28,592,464 on use of goods in the statement of budget but correctly posted in the statement of financial performance whereas an amount of Kshs. 1,739,327 relates to depreciation and amortization expense as it appears in the statement of financial performance.

Committee Observation

32. The management satisfactorily explained the variance; however, the statement of comparison of budget and actual performance is not fairly presented.

Committee Recommendation

33. The institution must at all times ensure compliance with IPSAS 24, which requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. The standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.
34. The institution should also always comply with IPSAS I, which guides the presentation of financial statements.

3.1.8 Lack of Approved Budget

35. The statement of comparison of budget and actual amounts shows total budgeted revenues of Kshs.39,653,480 and total budgeted expenditure of Kshs.39,193,477. However, the Institution's management did not provide the approved budget for the year under review contrary to Section 22(2) of the Second schedule of the Technical and Vocational Education and Training Act, Cap. 210A which stipulates that the Board of Governors may incur expenditure for the purpose of the institution in accordance with the estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Cabinet Secretary.
36. Consequently, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not be confirmed.

Management Response

37. The management took note of the Auditor General's observation and wishes to confirm that the budget submitted for audit was approved by the Board of Governors. Also, the management in subsequent years has been submitting its budgets to the Ministry of Education and the Office of the Controller of Budgets.

Committee Observation

38. The budget was approved by the Board of Management. However, management did not obtain the required approval from the ministry as mandated by regulations. The budget is currently being approved by the ministry.

Committee Recommendation

39. The institution must always comply with Section 22(2) of the second schedule of the Technical and Vocational Education and Training Act, Cap. 210A stipulates that the Board of Governors may incur expenditure for the purpose of the institution in accordance with the estimates approved by the cabinet secretary and any approved expenditure under any head of the estimates may not be exceeded without prior approval by the cabinet secretary

3.1.9 Contract for Construction of Storey Classrooms

40. The statement of financial position reflects a property, plant and equipment balance of Kshs.15,798,131 as at 30 June, 2019. Available records indicate that the institute had capital work in progress in respect of construction of 8 Storey Classrooms which was funded by the Ministry of Education. The tender was awarded to a construction company at a contract sum of Kshs.9,911,189. According to the project work plan, the project was to be completed by 27 February, 2018. However, a physical verification exercise of the project on 13 April, 2021 confirmed that the project completion was behind schedule by over three years. Further, the project has stalled, and the contractor had vacated the site.
41. In the circumstances, there is risk of loss of funds amounting to Kshs.5,094,560 already paid to the contractor and there is no value for money obtained on the expenditure incurred on the project as the classrooms are not being used by the intended beneficiaries.

Management Response

42. The management took note of the Auditor Generals observation and wishes to confirm that it has been the wish of the management to have the project completed in time but due to delayed disbursements of funds the project took extremely longer period, it took the initiative of the Board of Governors to source for alternative funds to complete the project which has since been completed and is in use

Committee Observation

43. The committee observed that the matter is addressed as the project was completed, though the works were delayed.

3.1.10 Use of Goods and Services - Local Transport and Travel

44. The statement of financial performance for the year ended 30 June, 2019 reflects use of goods and services amounting to Kshs.26,251,319, which includes local transport and travel expenses of. Kshs.1,233,060. A review of the financial records revealed that, out of the expenditure of Kshs.1,233,060, an amount Kshs.808,51O related to Board allowances and not local travel expenses.
45. Further, the payments were made without use of the Government imprest system (use of imprest warrants) contrary to Regulation 92(2) of Public Finance Management (National Government) Regulations, 2015.
46. Consequently, the propriety and validity of the expenditure of Kshs. 1,233,060 on local transport and travel expenses could not be confirmed.

Management Response

47. The management took note of the Auditor General's observation and wishes to confirm it is true that the institute did not have the documents at the time of the audit. Currently, the documents have been put in place. Further, the management in the subsequent years has reported the Board expenses separately.

Committee Observation

48. The matter is resolved. The Board expenses were not presented as per requirements and there was no use of imprest warrants; however, Board expenses are currently presented as required and imprest warrants are currently in use.

3.1.11 Lack of Risk Management Strategies

49. During the year under review, the institute did not develop risk management strategies, which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations. This is contrary to Section 165(1) of the Public Finance Management (National Government) Regulations, 2015
50. Consequently, potential threats to success of the Institute may not be identified and managed before they cause losses.

Management Response

51. The management took note of the Auditor General's observation and wishes to confirm that it is true that the institute did not have the have risk management policy but has since developed a policy which has been approved by the Board of Governors and strategies, which include fraud prevention mechanisms and a system of risk management and internal control

Committee Observation

52. The matter is resolved as the Risk Management policy is currently in place.

3.1.12 Lack of an Internal Audit Function

53. Audit review of the availed human resource documents revealed that the Management of Aldai Technical Training Institute had not established an internal audit department to carry out internal audit functions contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A. In the absence of an internal audit function, it implies that effective Internal controls may not be in place and non-compliance of relevant laws, rules and regulations by the institution is likely to occur.
54. Consequently, the Management was in breach of the law

Management Response

55. Management acknowledges the Auditor General's observation and wishes to confirm that it is true that the institute did not have an internal audit function in place at the time of the audit. The Board of Governors has put in place an internal audit function as per the audit minutes provided

Committee Observation

56. The matter is resolved as the Internal Audit Unit has been put in place.

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

3.2.1 Presentation of the Financial Statements

57. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

3.2.2 Variances between Financial Statements and Supporting Schedules and Ledgers

58. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

3.2.3 Unsupported Transfers from the National Government.

59. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

3.2.4 Unsupported Rendering of Services - Fees from Students

60. This matter had been addressed by the committee in the previous financial year and the committee reiterated its recommendation.

3.2.5 Unvalued and Unreported Property, Plant and Equipment Balance

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

3.2.6 Unsupported Receivables from Exchange Transactions

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

3.2.7 Unsupported Trade and Other Payables from Exchange Transactions.

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

3.2.8 Lack of an Approved Budget

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

3.2.9 Contract for Construction of Eight (8) Storey Classrooms

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

3.2.10 Lack of Imprest Warrants

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

3.2.11 Lack of Risk Management Strategies

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

3.2.12 Lack of an Internal Audit Function

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

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

3.3.1 Inaccuracies in Financial Statements

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

3.3.2 Property, Plant and Equipment

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

3.3.3 Budgetary Control and Performance

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

3.3.4 Unresolved Prior Year Matters

72. The unresolved prior-year matters have been addressed by the committee.

3.3.5 Contract for Construction of Eight (8) Storey - Class Rooms

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

3.3.6 Employee Costs

74. The statement of financial performance reflects the employees' costs amounting of Kshs. 12,214,806. During the year under review, the Institute recruited an ICT Technician, Electrical Technician, Finance Officer, Secretary, Cleaners and Security Guards. However, no authorized staff establishment to indicate the need and the number of staffs to be recruited was provided for audit. Further, it was noted that all the newly recruited personnel were from the same ethnic community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N.

75. In the circumstances, the Institute Management was in breach of the law.

Management Response

76. Management took note of the Auditor General's observation and wishes to confirm that it has developed a human resource policy to guide on human resource issues. Further, the management has considered regional and gender balance in recruitment going forward

Committee Observation

77. Management failed to comply with the requirements of the National Cohesion and Integration Act, 2008. Further, the approved staff establishment has not been provided.

Committee Recommendation

78. Management must make deliberate efforts to comply with the National Cohesion and Integration Act, Cap. 7N, within two years and to put in place a staff establishment.

3.3.7 Lack of Internal Audit Function

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

3.3.8 Information Communication Technology

80. Review of the information and Communication Technology (lCT) records revealed that the institute did not have an lT strategic Policy, Data Recovery Plan (DRP) and lT security policy. ln addition, the institute did not have an lT Steering Committee to provide oversight and formulation of policies to ensure that lT unit functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way. Further, the Institute did not have periodic lT reports to assess the status of implementation of lT systems and suggest corrective measures.
81. ln the circumstances, the effectiveness of the ICT control mechanism could not be confirmed.

Management Response

82. The management took note of the Auditor General observation and wishes to confirm that it has developed an ICT policy to guide on ICT issues, put in place ICT committee. Also the management is implementing the management information system though in phases therefore in the process of computerizing operations

Committee Observation

83. Though management has explained that it has developed and approved an ICT policy, the same was not been attached. Further, data recovery plan and IT security policy were also not been provided.

Committee Recommendation

84. The office of the Auditor General to verify and report on the same in the subsequent audit.

4.0 TURBO TECHNICAL AND VOCATIONAL COLLEGE

85. Mr. Stedi Boniface, the Principal, accompanied by: -'

    i. Bitok Cerrik- Finance Officer
    ii. Sirma Juliana- Administrative Secretary

    Appeared before the Committee to adduce evidence on the audited accounts of Turbo Technical and Vocational College, on 25th September 2024.

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

4.1.1 Unsupported property, Plant and Equipment

86. The statement of financial position reflects the property, plant and equipment balance of Kehs. 116,218,636 as disclosed in Note 31 of the financial statements. The balance includes land with a balance of Kshs.60,000,000 measuring 20.56 Hectares, whose ownership documents were not provided.
87. Further, buildings with a balance of Kshs 56,196,116 are included in the land and buildings column instead of the buildings column. In addition, the College received various computers and plant and equipment from the Ministry of Education on 29 July, 2019 are not recorded in the assets movement schedule. Further, Management did not tag the assets and the fixed asset register was not provided.
88. Under circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 115,218,635 could not be confirmed.

Management Response

89. The title deed for the land is still under the name of the Donor James Whittet Newton the title deed is for 50 acres out of which 20 acres is for Turbo Technical and Vocational College.

90. However, the college has not been in a position to process title deed for the donated 20 acres due to pending court case which has now been attached is the court ruling. The reporting of land and building has since been corrected in the subsequent financial year 2021-2022.
91. Computers and plant and equipment from the ministry of education were not recorded in the movement schedule because there was no value attached to them. However, the college intends to do a valuation and asset tagging pending availability of funds. Here is the attached copy of the block figure from the ministry.

Committee Observation

92. The committee observed that there is still no title in place, the acreage of the land has not been disclosed, Computers and other assets were not disclosed, but the buildings were separated later.

Committee Recommendations

93. The institution must acquire the title within three months from the time it appears before the committee.
94. Further, the Accounting Officer must always ensure compliance with Section 72. (1) PFM Act 2012 requires the accounting officer for a national government entity to be responsible for the management of the entity's assets and liabilities.

4.1.2 Unsupported inventories

95. The statement of financial position reflects a balance of Kshs.1,269,050 in respect of Inventory and as disclosed in Note 20 to the financial statements. However, no evidence of physical stock taking and certificate of stock balance as at 30 June, 2021, were not provided for audit review.
96. In the circumstance, the accuracy and completeness of inventory balance of Kshs. 1,269,050 could not be confirmed.

Management Response

97. The college admits on not having a certificate of stock balance as at 30th June 2021, however the physical stock take was conducted by other employees other than the stores person since

the college has not employed store keeper and the procurement officer who was responsible was sick. Here attached stock taking report.

Committee Observation

98. The matter is resolved. The stock taking report, indicating the list of inventories as at 30 June 2021, was provided.

4.1.3 Unsupported Trade and other Payables

99. The statement of financial position reflects trade and other payables balance of Kshs. 2,266,634 as disclosed in Note 34 to the financial statements. included in the balance is an amount of Kshs 1,292,040, which was not supported with the original invoices, delivery notes and purchase orders.
100. Under the circumstance, the accuracy, existence and completeness of trade payables and other payables balance of Kshs 2,266,634 could not be confirmed.

Management Response

101. The officer responsible for storing the documents was dismissed and she did not hand over the original documents. This necessitated the management to use copies from the supplier's files for audit purposes.

Committee Observation

102. The Accounting officer had made no efforts to obtain the documents and had also not instituted criminal proceedings against the liable officer.

Committee Recommendations

103. The institution must obtain the documents within three months after appearing before the committee and immediately institute criminal proceedings against the staff under Section 45(2) of the Anti-Corruption and Economic Crimes (ACECA)
104. Further, the Accounting Officer must always ensure compliance with Section 72 (1) PFM Act, Cap. 412A which requires the accounting officer for a national government entity to be responsible for the management of the entity's assets and liabilities.

4.1.4 Budgetary Control and Performance

105. The summary statement of comparison of budget and actual amounts reflects on comparable basis the total budgeted revenue of Kshs 8,270,400 and actual receipts of Kshs.3,913, 140 respectively, resulting in a revenue shortfall of Kshs.4,357,360 or 52% of the budget. Further, the College spent an amount of Kshs.4,230,093 against an approved budget of Kshs.8,270,400 resulting in an under-expenditure of Kshs.4,040,307 or 48% of the budget.
106. The shortfall in revenue and under-expenditure may have constrained execution of planned activities and delivery of services to the public.

Management Response

107. The college experienced a revenue shortfall since it was its first year in operation. The college was also adversely affected by the covid 19 pandemic which led an under expenditure since the college was partially in operation during the financial year.
108. In addition, quarter 4 capitation and grants were remitted in July 2021 which was another financial year hence could not be utilized. Here attached document on capitation received.

Committee Observation

109. The committee observed that this was during the COVID-19 period, which disrupted activities in institutions across the country. Further, the capitation was disbursed late, as evidenced by the letter from the Ministry of Education, which indicates that the capitation was received in July 2021.

Committee Recommendations

110. The Accounting Officer must always ensure compliance with Section 72. (1) PFM Act, Cap.412A, which requires the accounting officer for a national government entity to be responsible for the management of the entity's assets and liabilities.

4.1.5 Non-compliance with the Public Sector Accounting Standards Board Requirements.

111. The annual reports and financial statements had inconsistencies in paging, the statement of performance against predetermined objectives, related parties disclosures were omitted, and the table of contents was not referenced.

112. This is contrary to the templates provided by the Public Sector Accounting Standards Board (PSASB).

Management Response

113. The management acknowledges the errors made and has so far been keen when preparing financial statements in the subsequent financial years to eliminate errors and to ensure compliance with the Public Sector Accounting Standards Board Requirements. There has not been any audit report on these errors.

Committee Observation

114. The matter is resolved. The standards were complied with in the subsequent financial year.

4.1.6 Non-compliance with the law on staff ethnic composition

115. Review of the payroll for the month of June, 2021, revealed that the College had a staff establishment of twenty-one (21) employees, out of whom eighteen (18) or 86 % were from the dominant community, leaving three (3) or 14 % from other ethnic communities. This was contrary to Section 7 of the National Cohesion and Integration Act, Cap. 7N, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one-third of staff from the same ethnic community.

116. In the circumstance, Management was in breach of the law

Management Response

117. Turbo Technical and Vocational College is committed to ensuring attainment of the National Cohesion and integration. To do this the college commits to progressively employ staff from other regions subject to availability of vacancies and funds.

Committee Observation

118. No documents were provided to support the commitment of the management.

Committee Recommendations

119. The institution must make deliberate efforts to ensure adherence to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

4.1.7 Lack of Internal Audit Function

120. The Institution did not have an Internal Audit Function. This was contrary to Section 73(1){a) of the Public Finance Management Act, Cap. 412A which requires every national government entity to have appropriate arrangements in place for conducting an internal audit.
121. In the circumstances, existence of effective internal controls mechanism and overall governance could not be confirmed.

Management Response

122. Turbo Technical and Vocational college currently has no budget capacity to employ an internal auditor however the college outsources the internal audit services from Kaiboi National Polytechnic.
123. Attached is the request and response letters of engagement and audit report.

Committee Observation

124. The matter is solved. The Internal Auditor was sourced in July 2024.

4.1.8 Long Outstanding Receivables

125. The statement of financial position reflects current receivables from exchange transactions balance of Kshs.3,519,561 and as disclosed in Note 27(a) to the financial statements. However, there was no information provided to show that Management had put in place strategies to recover the outstanding fees.
126. In the circumstances, the existence of effective debts management mechanisms could not be confirmed.

Management Response

127. The college is committed to managing receivables from exchange transactions and the institution has since taken the following measures: Procured an ERP system to keep students' records, to manage fee collection and to analyze and generate a report on the fees past due. The college is also underway in developing a debtor's policy to mitigate the outstanding debts.

Committee Observation

128. The matter is resolved. The institution has an ERP system in place, as indicated by the ERP Contract of agreement and the debtor's report generated from the ERP.

4.1.9 Lack of Human Resource Manual and Policy

129. The College has not developed a human resource policy and staff establishment. This is contrary to Section B.2(1) of Human Resource Policies and Procedures Manual for the Public Service, 2016, that requires a public entity to prepare Human Resource Plans to support the achievement of goals and objectives in their Strategic Plan.
130. In the circumstances, effective management of the staff could not be confirmed.

Management Response

131. The college has been using Human Resource policies and Procedures Manual for the Public Service. In addition, the college has developed the human resource manual and policy and is at the draft stage pending approval.

Committee Observation

132. The matter is resolved as the Human Resource policies and Procedures Manual for the Public Service was provided and verified by the Office of the Auditor General.

5.0 BARINGO NATIONAL POLYTECHNIC

133. Mr. Josphat Kipkemboi, The Principal, accompanied by: -
    i. Ms. Rebecca Chelang'a – Finance Officer
    ii. Robert Chirchir – Procurement Officer
    iii. Elijah Koech- Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Baringo National Polytechnic, on 25th September 2024.

5.1 Audited Statements for Financial Year 2018/19 (Qualified Opinion)

5.1.1 Errors in the Annual Reports and Financial Statements

134. The annual reports and the financial statements prepared and presented for audit pagination on the table of contents is not aligned to those on the body of the report. This is contrary to

the format prescribed by the Public Sector Accounting Standards Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, Cap. 412A.

135. Consequently, the annual reports and the financial statements as prepared and presented do not comply to the format prescribed by the Public Sector Accounting Standards Board (PSASB).

Management Response

136. Amended the financial statements for the period ended 30th June 2019 in the format prescribed by PSASB. Amended Financial statements and Approved Journal Vouchers attached. Issue due to teething problems when transferring from cash basis of accounting to accrual basis of accounting in 2018/2019.

Committee Observation

137. The amended financial statement was not supported by journal entries and the amended schedules.

Committee Recommendation

138. The committee reprimands the Finance officer for the errors and recommends that the institution ensures compliance with IPSAS 1, which provides guidelines on the presentation of financial statements.

5.1.2 Property, Plant and Equipment

139. The statement of financial position reflects property, plant and equipment balance of Kshs.25,782,422 (2018 - Kshs.12,075,308) and as disclosed under Note 30 to the financial statements. As previously reported, this excludes the value of land acquired in 2011 measuring 7.20 hectares on which buildings and agricultural assets stand whose value has not been determined. Further, motor vehicle registration number KAE 604X Toyota acquired on 4 August, 1995, is yet to be registered in the name of the College. This is contrary to Section 25 of the Second Schedule of the Technical and Vocational Education and Training Act, 2013.

140. Consequently, the accuracy and fair statement of the property, plant and equipment balance of Kshs.25,782,422 as at 30 June, 2019 could not be confirmed.

Management Response

141. The college has undertaken asset valuation and tagging for all its assets.

Committee Observation

142. The institution has taken too long to carry out the asset valuation.

Committee Recommendation

143. The issue is to be kept in view and the Office of the Auditor General to confirm and report on the issue in the audit of FY 2023/2024.

5.1.3 Grants

5.1.3.1 Recurrent Grant

144. The statement of financial performance reflects transfers from the National Government of Kshs.12,555,000(2018-Kshs.13,502,710) and as disclosed under Note 10 to the financial statements. However, records at the parent Ministry indicate disbursements to the College amounted to Kshs.25,610,000 resulting to an unexplained variance of Kshs.13,055,000.

145. Consequently, the accuracy and completeness of the reported transfers from the National Government amount of Kshs.12,555,000 for the year ended 30 June,2019 could not be confirmed.

Management Response

146. Amended Financial statements to correspond with the ministry's figures.

Committee Observation

147. The amended financial statements were not supported by journal entries and amended schedules.

Committee Recommendation

148. The committee reprimands the fiinance officer and recommends that the institution ensures compliance with IPSAS 1, which provides guidelines on the presentation of financial statements.

5.1.3.2 Development Grant

149. The statement of changes in net assets reflects development grants of Kshs.3,357,434 (2018-Kshs.3,295,000). However, records from the parent Ministry indicate that Kshs.26,618,818 that included Kshs.22,903,951 for mentor institution was disbursed to the College during the year under review resulting to an unexplained difference of Kshs.357,433 as tabulated below:

Item	**Parent Ministry Records (Kshs.**	**College Records (Kshs.**	**Difference (Kshs.)**
Development Grant for Mentor Institutions	26,618,818	22,903,951	3,714,867
Development Grant for College	0	3.357,434	3,357,434
Total	**26,618,818**	**26.261.385**	**357.433**

150. Consequently, the accuracy and completeness of the reported development grants of Kshs.3,357,434 as at 30 June, 2019 could not be confirmed.

Management Response

151. Amended financial statements to correspond with the ministry's figures.

Committee Observation

152. The amended financial statement was not supported by journal entries and amended schedules.

Committee Recommendation

153. The committee reprimands the Finance officer and recommends that the institution ensures compliance with IPSAS 1, which provides guidelines on the presentation of financial statements.

5.1.4 Budgetary Control and Performance

154. The statement of budget vs actual reflects revenue budget and actual on comparable basis of Kshs.77,590,100 and Kshs.129,647,717 respectively resulting to a positive performance of Kshs.52,057,617 or 670/o of the budget. Management attributed the positive performance to increased enrolment of students. However, no adjustments were made to the budget for the student increase. The statement also reflects expenditure budget and actual on comparable basis of Kshs.77,590,000 and Kshs.81,999,731 respectively resulting to an over expenditure of Kshs.4,409,732 or 60/o of the budget.

Item	**Budget (Kshs.)**	**Actual (Kshs.)**	**Shortfall (Kshs.)**	*%*
Compensation of Employees	3,555,576	6,814,840	(3,259,264)	(92)
Use of Goods and Services	1,080,000	2,093,433	(1,013,433)	(94)
General Expenses	63,554,424	30,498,484	33,055,939	52
Academic Expenses	5,400,000	25,848,065	(20,448.065)	(379)
Repairs and Maintenance	1,350,000	13,894,778	(12,544,778)	(929)
BOG Expenses	2,650,000	2,850,131	(200,131)	(8)
Total Expenditure	**77,590,000**	**81,999,731**	**(4,409,7321)**	**(6)**

155. There was, however, no approval for the over expenditure on compensation of employees, use of goods and services, academic expenses, repairs and maintenance which exceeded the threshold of 25%.

Management Response

156. The approved supplementary budget and Board Minutes are attached.

Committee Observation

157. The matter is resolved. The Office of the Auditor General was satisfied with the response provided by management.

5.1.5 Lack of Credit and Debt Management Policy

158. The statement of financial position reflects receivables from exchange transactions of Kshs.50,425,690;(2018-Kshs.12,747,579) and as disclosed under Note 21 to the financial statements. This represents a growth of 396% in receivables. However, the College does not have a credit and debt management policy to guide on student's fee collection.

Management Response

159. We have attached the Finance Policy and Procedure Manual.

Committee Observation

160. The matter is resolved. The Finance policy and procedures manual was provided.

5.1.6 Lack of Accounting Manual

161. The College does not have an accounting manual in place to guide on the coding, processing of information. Consequently, the internal controls over the accounting processes are weak.

Management Response

162. We have attached the approved Finance Policy and Procedure Manual and the Board minutes.

Committee Observation

163. The Finance policy and procedures manual is provided.

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

5.2.1 Inaccuracies in the Financial Statements

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

5.2.2 Inaccuracy of Property, Plant and Equipment

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

5.2.3 Budgetary Control and Performance

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

5.2.4 Errors in the Annual Reports and Financial Statements

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

5.2.5 Stalled Project

168. The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.35,190,953 that includes work in progress of Kshs.26,734,382 as disclosed under Note 30 to the financial statements. Verification revealed that construction of tuition block building within the college compound had stalled. However, as at the time of audit on 14 January, 2021, documentary evidence provided shows that the contractor has been fully paid the contract sum of Kshs.24,924,427 and the retention fees despite several works not completed including, flooring, fittings and wiring, painting, sealing board and pavements. Further, the contractor was not on site.

169. Management attributed this delay to underfunding on development grants and underestimation of the cost of the contract during the original award which was agreed to run for 52 weeks from the date of site handing over. Management is therefore considering tendering for the remaining works which is likely to vary the cost of the contract sum. Therefore, the cost of construction of tuition block is likely to escalate due to delay in the completion of the works.

170. Consequently, the accuracy and fair statement of the property, plant and equipment balance of Kshs.35,190,953 as at 30 June, 2020 could not be confirmed.

Management Response

171. The project is now complete, and a certificate of practical completion has been issued.

Committee Observation

172. Although the certificate of practical completion has been provided, the project had stalled at the time of the audit, which the institute attributed to changes in the scope of work, which led to a change in the cost.

5.2.6 Lack of a Risk Management Policy

173. During the year under review, the college did not have a risk management policy in place and therefore had no approved processes and guidelines on how to mitigate operational, legal and financial risks thus were in contravention of Regulation 165 of the Public Finance Management (National Government) Regulations, 2015.
174. In the circumstances, the College is not in compliance with the circular that requires that all public institutions develop an Institutional Risk Management Policy Framework (IRMPF).

Management Response

175. Management developed a risk and fraud management policy

Committee Observation

176. The matter is resolved. The Risk Management policy was provided.

5.2.7 Lack of an Internal Audit Function

177. The College does not have an internal audit department and no internal audits were carried out in the year under review. The Management explained that the entity is in the process of recruiting for the internal audit department. However, the process has not yet started.

Management Response

178. The Internal audit function is operational.

Committee Observation

179. The matter is resolved. The Internal Audit function is in place.

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

5.3.1 Inaccuracies in the Financial Statements

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

5.3.2 Property, Plant and Equipment

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

5.3.3 Budgetary Control and Performance

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

5.3.4 Stalled Project

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

5.3.5 Lack of Risk Management and Fraud Policies

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

6.0 (B) BARINGO NATIONAL POLYTECHNIC

185. Mr. Isaac Bwambok, The Principal, accompanied by: -

i. Ms. Rebecca Chelang'a – Finance Officer
ii. Robert Chirchir – Procurement Officer
iii. Elijah Koech- Internal Auditor
iv. Reuben Chepsigot- Human Resource Officer

Appeared before the Committee to adduce evidence on the audited accounts of Baringo National Polytechnic, on 24th September 2025.

6.1 Audited Statements for Financial Year 2021/2022 (Qualified Opinion)

6.1.1 Inaccuracies in the Statement of Cash Flows

186. The statement of cash flows for the year ended 30 June, 2022 reflects net increase in cash and cash equivalents negative amount of Kshs.47,765,314. However, recalculation of the cash and cash equivalents increase/(decrease) at beginning and at end of the year balances of Kshs.22,784,524 and Kshs.43,739,505, respectively reflects movement amounting to Kshs.20,954,981 resulting to an unexplained variance of Kshs.68,720,295. Further, the

statement of financial position reflects capital work in progress and intangible assets balances of Kshs.20,533,742 and Kshs.18,290,920, respectively which have been omitted in the statement of cash flows.

187. In the circumstances, the accuracy and completeness of the statement of cash flows for the year ended 30 June, 2022 could not be confirmed.

Management Response

188. We have noted the omission in the financial year in question particularly the exclusion of capital work in progress and intangible assets in audited cash flows statement. In compliance with PSASB template, we have duly reflected the correct position in the subsequent year's financial statement.

Committee Observation

189. The matter is resolved. Review of the 2022-2023 financial statements reveals compliance in the preparation of the cash flows statement as per the requisite template.

6.1.2 Inaccuracies in Transfers to Other Government Entities

190. The statement of financial performance reflects transfers to other Government entities amount of Kshs.2,978,507 as disclosed in Note 12 to the financial statements which includes transfers to two (2) mentored newly established institutions. However, the transfers differed with the State Department for Technical and Vocational Training amount of Kshs.5,993,507 resulting to an unexplained variance of Kshs.3,015,000.

191. In the circumstances, the accuracy and completeness of the transfers to other Government entities amounting to Kshs.2,978,507 could not be confirmed.

Management Response

192. We confirm receipt of funds totaling Kshs 5,993,507, remitted to Kapchepkor Technical and Vocational College and Mochongoi Technical and Vocational College. These funds were received from the State Department for Technical and Vocational Training. We have also attached acknowledgement letters from both institutions confirming receipt of the funds.

Committee Observation

193. The matter is addressed. The acknowledgement letters for the funds transfer were provided and reviewed, with the total of the transferred funds amounting to Kshs 5,993, 507.

6.1.3 Unconfirmed Receivables from Exchange Transactions

194. The statement of financial position reflects receivables from exchange transactions balance of Kshs.63,941,413 as disclosed in Note 16 to the financial statements which includes a balance of Kshs.59,280,353 in respect of student debtors. However, detailed movement schedule indicating opening balances, fees for the year, payments made and outstanding balance was not provided for audit. Further, included in the balance of Kshs.63,941,413 is an amount of Kshs.2,978,507 due from grants and subsidies whose detailed schedule showing amount of grant receivable, received and the balance was not provided for audit.

195. In the circumstances, the accuracy and completeness of grants and subsidies receivable balance of Kshs.59,280,353 could not be confirmed.

Management Response

196. We have attached a soft copy of the receivables schedule amounting to Kshs 59,280,353 to support the receivables figure reported in the financial statements for the period ended 30th June 2022.

197. The grant of Kshs.2,978,507 is the amount received from State Department for TVET as capitation grant for Kapchepkor TTI.

Committee Observation

198. The matter is addressed. The soft copy of the receivables schedule totaling Kshs 59,280,353 has been thoroughly reviewed and confirmed, along with the grant schedule of Kshs 2,978,507 allocated to Kapchepkor TTI.

6.1.4 Inaccuracies in the Receivables from Non-Exchange Transactions

199. The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.21,427 ,500 as reflected in Note 17 to the financial statements. Management explained that these balances were in respect of outstanding capitation grants from the State Department for Technical and Vocational Training. However, the undisbursed balance has been recognized as current asset contrary to the Government Accounting Policy on transfers from other Government entities which requires revenue from non-exchange transactions with other Government entities to be recognized on obtaining control of the asset. Further, the statement of comparison of budget and actual amounts reflects transfers from other Government entities final budget receipt and actual on comparable basis amount of Kshs.69,000,000 and Kshs.61,710,000, respectively resulting to undisbursed balance of

Kshs.7,290,000 which differed with the reported balance of Kshs.21,427,500 resulting to unexplained variance of Kshs. 14,137,500.

200. In the circumstances, the accuracy, completeness, presentation and disclosure of receivables from non-exchange transactions balance of Kshs.21,427,500 could not be confirmed.

Management Response

201. During the financial year 2021/2022, the Ministry of Education, through a circular dated 12th July 2022 (Ref No. MOE/VTT/11/4/VOL. VII) (attached) informed institutions that the disbursement of fourth-quarter capitation funds would not be forthcoming due to budgetary constraints. As per the Ministry's directive, institutions were advised to record the undisbursed amount of **Kshs 7,500** per student as fees receivable and subsequently invoice the affected students in the financial year 2022/2023. This adjustment has been appropriately reflected in the receivables reported for the year 2023.

202. The budget statement for the year 2021/2022 had projected a total receipt of **Kshs 69,000,000** from the Government of Kenya (GoK). However, only **Kshs 61,710,000** was received, resulting in a variance of **Kshs 7,290,000** against the initial budget estimate.

203. In addition, an amount of **Kshs 21,427,500** remains outstanding as receivables from non-exchange transactions related to the fourth quarter of the financial year 2021/2022. These funds were not received as anticipated.

Committee Observation

204. The matter is resolved. The non-exchange transactions balance of Kshs.21,427, 500 was confirmed undisbursed and subsequently treated as student fees in 2022-2023 financial year and not an asset.

6.1.5 Property, Plant and Equipment - Undisclosed Assets Received from Ministry of Education and German Institute

205. The statement of financial position reflects property, plant and equipment balance of Kshs.56,865,673 as reflected in Note 19 to the financial statements. However, the balance excludes assorted equipment donated by the Ministry of Education through China bilateral contract agreement dated 19 March, 2018. Physical verification done in the month of March, 2023 confirmed that Baringo Technical College received six hundred and three (603) assorted equipment including welding machinery, Information Communication Technology

equipment and office furniture and fittings whose value could not be determined as no cost had been indicated in the asset register.

206. Further, one hundred and forty-eight (148) electronics and electrical equipment of unknown value previously received from German Institute were not disclosed in the asset register. Although the equipment was delivered without any proof of ownership, registration or delivery documents, no reason was given to confirm delayed registration and valuation of the equipment.

Management Response

207. It is true that the assets previously excluded assorted equipment donated by the Ministry of Education through China bilateral contract agreement dated 19 March, 2018 and German Institute; however, an Asset Valuation Report has now been provided to address these omissions. The report includes:

i. 603 units of assorted equipment
ii. 148 units of electric and electronic equipment

208. These additions are supported by the details in the Asset Register, which has been provided for audit verification.

Committee Observation

209. The matter is addressed. The assets excluded from the register were reported in the financial statements, as confirmed in the list of property, plant, and equipment with their respective values.

6.1.6 Dispute on Land Ownership

210. Records provided for audit revealed that a section of the College's land measuring approximately 1.6 hectares has been encroached and irregularly converted into a conservancy by private developers and activists. Audit inspection carried in the month of April, 2023 revealed encroachment within the College land in the form of temporary structures. Although Management indicated that the process of securing the title was at an advanced stage, no documentary evidence was provided to confirm the status.

211. In the circumstances, the accuracy, completeness, existence, presentation and disclosure of the property, plant and equipment balance of Kshs.56,865,673 could not be confirmed.

Management Response

212. The College is in the process of amalgamating the parcels of land with an aim of securing the college tittle deed which is at an advanced stage.

213. Documentary evidence to confirm status as well as tittle deed of the existing parcel of land.

214. The National land commission is deliberating on it.

The temporary structure that had been erected at the college compound has been demolished

Committee Observation

215. The matter is partially resolved. Documentation provided by Management shows that the matter is still in progress with the National Land Commission. The institution is yet to amalgamate the various parcels of land into one title.

Committee Recommendations

216. Management should provide a comprehensive report regarding the progress made on the matter to the committee within two months after appearing before the committee.

6.1.7 Budgetary Control and Performance

217. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.212,286,820 and Kshs.186,893,959, respectively resulting in an under-funding of Kshs.25,392,861 or 12o/o of the budget. Similarly, the College spent Kshs.153,083,072 against an approved expenditure budget of Kshs.212,286,820 resulting in an under-expenditure of Kshs.59,203,748 or 28o/o of the budget. ln the circumstances, the underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public

Management Response

218. The management has noted the above under collection of revenue and under absorption of budgeted funds in the financial year under review.

219. The **Kshs 25,392,861** which translates to **12%** deficit on revenue collection was because of non-remittance of fourth Quarter capitation grant by the Government and therefore the institution did not actualize revenue collection as per budgeted revenue in the financial year ended 30th June, 2022.Subsequently, during the year under review, the college did not actualize development expenditure of **Kshs 27,198,099** which was occasioned by late disbursement of funds by the Government.

220. Additionally, the management in the current and subsequent financial years is committed in ensuring that budget execution is closely monitored to avoid over or under utilization of approved budget programs thereby not affecting service delivery to the stakeholders.

Committee Observation

221. There is no evidence that the action taken by the Management has translated to improved revenue collection and absorption.

Committee Recommendations

222. Management must always comply with Regulation 43 (b) of the Public Finance Management (National Government) Regulations, 2015, which outlines a key responsibility of Accounting Officers in managing public funds.

6.1.8 Weak Information Technology (IT) Internal Control

223. In the year under audit, the College had not established an IT Strategic Plan as well as IT Security Policy to provide governance on information technology matters including policies on IT continuity plan. Subsequently the critical data or information may not be recovered in case a disaster occurs. Further, the College enhanced its information technology systems by implementing an Enterprise Resource Planning (ERP) system with the main objective of bringing in efficiency in operations within the entity.

224. However, there were no documented change management procedures including change management forms, review and approval of changes, testing of changes, implementing changes, periodic reporting of changes and post-implementation review of changes done to critical systems during the transition process.

225. In the circumstances, the adequacy and effectiveness of the IT risk management strategies and controls and processes put in place could not be established and the implemented changes in the systems may not meet the business requirements of the institution.

Management Response

226. During the financial year ending 30th June 2022, the College did not have an IT Strategic Plan or IT Security Policy in place to guide governance over information technology matters, including provisions for IT continuity.

227. However, on 11th July 2025, the Governing Council formally approved key policy documents, namely the IT Strategic Plan, IT Security Policy, and IT Continuity Plan. These policies are scheduled for implementation in the 2025–2026 financial year.

Committee Observation

228. The matter is addressed. The Policy documents have since been developed and approved on 11th July 2025.

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

6.2.1 Long Outstanding Debts

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

6.2.2 Undisclosed Value of Land in the Financial Statement

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

6.2.3 Budgetary Control and Performance

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

6.2.4 Unresolved Prior Year Matters

232. In the audit of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not given any explanation on how the issues were resolved.

Management Response

233. We have attached the extent of implementation of previous audit findings and to the financial statements on pages 34,35,36, and 37, and Board deliberations on the same.

Committee Observation

234. The issues raised in the prior year have partially been addressed.

6.2.5 Weak Information Technology (IT) Internal Control

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

6.3 Audited Statements for Financial Year 2023/2024 (Qualified Opinion)

6.3.1 Long Outstanding Receivables from Exchange Transactions

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

6.3.2 Dispute in the Ownership of the Polytechnic's Land

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

6.3.3 Budgetary Control and Performance

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

6.3.4 Ineffective Management of Human Resources

239. The statement of financial performance reflects employee costs amounting to Kshs 30,069 ,225 as disclosed under Note 10 to the financial statements. Review of supporting documentation for the expenditure revealed the following unsatisfactory matters: Management has not complied with the Work Injury Benefits Act (WIBA) and has not disbursed National Industrial Training Authority (NITA) remittances as required by law.

240. Further, there was no evidence of a defined pension contribution scheme for the employees pending retirement, provided for audit verification. The employees' appraisal and evaluation reports were not provided and the Polytechnic lacks a training needs assessment, training plan, program, calendars for staff and utilization of the ERP by employees; and ln addition, a list of new recruits and those exiting the Polytechnic within the year under review was not provided for audit.

241. Review of records revealed that the approved staff establishment for the Polytechnic is one hundred and three (103) academic staff and ninety-four (94) essential staff. However, the in-post staff at the institution stood at sixty-eight (68) academic staff and fifty-three (53) essential staff leading to a deficit of thirty-five (35) and forty-one (41) academic and support staff respectively. No reason was provided for the failure to adhere to the approve staff

establishment in the recruitment and retention of staff. In the circumstances, Management was in breach of the law and regulations.

Management Response

242. Management acknowledges the importance of compliance with the Work Injury Benefits Act (WIBA). The Polytechnic has already initiated the process for WIBA cover. A proposal for the same has been prepared and submitted for approval by the Governing Council

Management Response

243. **National Industrial Training Authority (NITA) Remittances.** The Polytechnic has complied with the statutory requirement to remit NITA contributions. Evidence of remittance has been attached for audit verification. **Pension Scheme for Employees.** Management has proposed the implementation of a staff pension scheme and submitted the proposal to the Governing Council. The scheme is currently awaiting formal approval.

244. **Staff Appraisal and Training Needs Assessment (TNA). We** have attached the minutes of the Performance Management Committee meeting and analysis report with the training needs assessment from the appraisal process and compiled during the 2023/2024 period.

245. **Recruitment and Exit Records.** During the 2023/2024 financial year the Polytechnic recorded across various academic and support departments. The staffing changes also reflect gender representation, with **16 female** and **14 male** staff members featured in the year's hiring and exit records, showing balanced gender participation in both teaching and essential roles. A summary list of entry and exit during 2023/2024 cycle.

246. **Staffing Levels against establishment.** While the approved staff establishment stands at 103 academic staff and 94 essential (support) staff, the actual in-post stood as at period ended 30th June 2024 is as follows; Analysis of our records depicts the above number of staff and not 68 and 53 respectively as reported. The 164 staff for the year 2023-2024 is based on 3505 students' enrolment. The variance with staff establishment is attributed to student enrolment of 3505 during the 2023/2024 academic year. The shortfall in student enrolment rendered it impractical to justify recruitment of additional staff as per the strategic plan and staff establishment which is dictated by the number of students

Committee Observation

247. The matter is partially addressed. The records and documents in support of compliance with WIBA, NITA and staff appraisal have been reviewed for compliance and confirmed correct. A proposal has been submitted to the Board of Governors regarding the issue of pensions, and the matter of staff in-post was clarified.

Committee Recommendation

248. The Office of the Auditor General to report on the issue of pensions in the subsequent audit.

6.3.5 Irregular Contract Renewal

249. During the year under review, a local company, was contracted for the provision of internet services at a contract sum of Kshs.684,000. The contract was however renewed without following due process stipulated in the procurement law such as provision of review reports by the evaluation committee. This is contrary to Section 103 of the Public Procurement and Asset Disposal Act, Cap. 412C which stipulates the circumstances under which direct procurement method may be used.

250. In the circumstances, management was in breach of the procurement law and regulations.

Management Response

251. We acknowledge the observation and confirm that the required documentation including the evaluation report of the contract committee and the professional opinion by the head of the procurement unit in accordance with Section 84 of the Act has been annexed

Committee Observation

252. The matter is addressed. The requisite documents were provided and reviewed for correctness.

6.3.6 Lack of Fraud Management Policy

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

6.3.7 Weak Information Technology (IT) Internal Control

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

7.0 NAROK WEST TECHNICAL TRAINING INSTITUTE

255. Mr. David Kipyegon Maru, The Principal, accompanied by: -

i. Ms. Susan Wanjiru Kamau – Deputy Principal

Appeared before the Committee to adduce evidence on the audited accounts of Narok West Technical Training Institute, on 25th September 2024.

7.1 Audited Statements for Financial Year 2018/2019 (Adverse Opinion)

7.1.1 Inaccuracies in the Financial Statements

256. The annual report and financial statements presented for audit had the following Inaccuracies: The balances reported in the financial statements are not in agreement with the balances reflected in the trial balance provided for audit. The statement of financial performance reflects transfers from National Government totaling to Kshs.4,285,000 while the corresponding Note 6 to the financial statements reflects Kshs.3,285,000 resulting to an unexplained and unreconciled balance of Kshs. 1,000,000.

257. The statement of financial performance reflects use of goods and services expenditure of Kshs 2,786,609, whereas Note 8 to the financial statements reflects Kshs 3,782,262, resulting to an unexplained difference of Kshs.995,653. Further, the total expenditure for use of goods and services reflected in Note 8 of Kshs 3,782,282 is at variance with the recomputed total of Kshs 3,783,262, resulting to a further difference of Kshs.1000. The statement of financial performance reflects employee cost totalling Kshs 3,116,148, whereas Note 9 to the financial statements reflects Kshs 3,196,148, resulting to an unexplained variance of Kshs.80,000. Further, the statement of financial performance indicates that employee cost is disclosed at Note 16 to the financial statements instead of Note 9.

258. The statement of financial performance reflects repairs and maintenance amount of Kshs.63,110 while Note 10 to the financial statements reflects Kshs. 133,330 resulting to an unexplained difference of Kshs.70,220. Further, the statement of financial performance indicates that repairs and maintenance is at Note 19 to the financial statements instead of Note 10.

259. The statement of financial position reflects Nil balance in respect to receivables from exchange transactions, while Note 12 to the financial statements reflects a balance of Kshs 1,537,870, being student debtors. The statement of financial position reflects

Nil balance in respect to refundable deposits from customers/students, while the corresponding Note 14 to the financial statements reflects a balance of Kshs 29,500. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

260. The corrected trial balance and signed amended financial statements have been provided.

Committee Observation

261. The matter is resolved. The financial statements were amended.

7.1.2 Unsupported Travel Expenses

262. Included in the administration fees of Kshs 1,120,438 reflected in Note 8 to the financial statements is an expenditure of Kshs.688,140 incurred on domestic travel and subsistence allowances. However, documents indicating the purpose of the journey. evidence of travel and actual work carried out were not provided for audit verification.

263. In the circumstances, the completeness and accuracy of administration fees totalling Kshs 688,140 for the year ended 30 June, 2019 could not be confirmed.

Management Response

264. All travel expenses for 2021/2022 were supported by evidence of the purpose of the journey, evidence of travel and actual work being done. In 2021/2022, the matter was resolved as seen in the report of the Auditor General.

Committee Observation

265. The matter has not been adequately addressed because the supporting documentation has not been provided to the OAG.

Committee Recommendations

266. The committee surcharges the accounting officer a total of Kshs 688,140 to be paid within one month after adoption od the report by the House before the committrecommends that the management ensures compliance with section 68 (2) (k) of the PFM Act 2012 by providing supporting documentation to the financial statements within (3) three months after the end of the financial year.

7.1.3 Cash and Cash Equivalents

267. The statement of financial position reflects cash and cash equivalents balance of Ksh.952.633 while the corresponding Note 11 to the financial statements reflects

Kshs 949,082 resulting to a variance of Kshs 3.551. Further, the balance is at variance with the cash and cash equivalents balance at the end of the period reflected in the statement of cash flows. In addition, no bank reconciliation statements were provided for audit.

268. In the circumstances, the accuracy of cash and cash equivalents balance of Kshs 952,633 as at 30 June, 2019, could not be confirmed.

Management Response

269. The 2021/2022 balance for Cash and Cash Equivalents were supported with bank reconciliation and a certificate of bank balance. The matter was resolved in 2021/2022, as seen in the report of the Auditor General

Committee Observation

270. The matter is still outstanding. The amended financial statements reflect a cash and cash equivalents balance of Kshs. 952,633.

Committee Recommendations

271. The committee reprimands the Accounting Officer and recommends compliance with Regulations 90 and 100 of the Public Finance Management (National Government) Regulations, 2015, which guide the preparation and submission of monthly bank reconciliation statements and the keeping of books of accounts by Accounting Officers.

7.1.4 Property, Plant and Equipment

272. The statement of financial position reflects Nil balance in respect to property, plant and equipment. However, review of records revealed the Institute owned assets which include And, buildings, furniture, computers and equipment that have not been disclosed in the financial statements. Further, ownership documents for the land and equipment and the fixed assets register were not provided for audit.

273. In the circumstances, the completeness and accuracy of the Nil property, plant and equipment balance could not be confirmed.

Management Response

274. The demarcation and registration of the community land is ongoing. Cost of the land not determined as the demarcation, mutation and registration of the land is work in progress. Computers, furniture and equipment supplied by Ministry of Education and cost of items per piece was not provided.

275. Request for assistance in valuation of assets by the County Government made Awaiting capitation or scholarship funds to finalize the process.

Committee Observation

276. The matter remains unresolved and is progressively being addressed. To be reviewed during the audit of FY 2023/2024

7.1.5 Budgetary Control and Performance

277. The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs 21,491,900 and Kshs 5,893,322 resulting to under-collection of Kshs. 15,598,578 or 73% of the budget. Similarly, the statement reflects budgeted expenditure of Kshs 21,491,900 against actual expenditure of Kshs.4,910,186 resulting to an under-expenditure of Kshs. 16,581,714 or 77% of the budget. Further, Management did not provide the approved budget for audit and a vote book to control expenditure was not maintained.

278. The underfunding and under-expenditure affected planned activities any may have negatively impacted on service delivery to the public for the Conclusion

Management Response

279. The institute's budget is based on the number of students admitted, with which the number of students in the budget was 131, against 54 admitted due to limited accommodation

Committee Observation

280. The late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

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

282. Further, the Institution is encouraged to develop other income-generating activities to increase its cash flow so as not to depend on government funding only.

7.1.6 Late Submission of Financial Statements

283. The financial statements for the year ended 30 June, 2019 were submitted to the Office of the Auditor-General on 2 February 2022. This is contrary to Section 81(4) of the Public Finance Management Act, Cap. 412A, which stipulates that not later than three months after the end of each financial year, the Accounting Officer for the entity shall submit the financial statements to the Auditor-General. Further, Management did not submit financial statements for the year ended 30 June, 2018.

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

Management Response

285. Management submitted the financial statements for the FY 2018/2019 late. Management did not submit financial statements for the year ended 30 June, 2018.

Committee Observation

286. The matter has not been adequately addressed.

Committee Recommendations

287. The committee reprimands the accounting officer and recommends that the institution always adheres to Section 81 (4) of the Public Finance Management Act, Cap. 412A which requires the accounting to submit the entity's financial statements to the Auditor-General and a copy of the statement to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation not later than three months after the end of each financial year.

7.1.7 Irregular Payment of Sitting Allowances

288. Note 8 to the financial statements reflects administration fees totalling Kshs. 1,120,438 out of which Kshs 316,000 was paid to Board Members as sitting allowances at the rate of Kshs.8,000 per sitting. However, no evidence was provided to confirm that the payment of the allowances had been approved by the Cabinet Secretary contrary to Section 17 of the Technical and Vocational Education and Training Act, 2013.

289. Further, the principal and other non-board members were paid sitting allowance totalling to Kshs.80,000. This is contrary to Section 10(1) of the State Corporation Act, CAP 446 which provides that the chairman and members of a Board, other than the chief executive, shall be paid out of the funds of the state corporation such sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time.

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

Management Response

291. In 2021/2022, no non-board officers were paid sitting allowances. The Cabinet Secretary of the MoE gave directives on allowances payable through a letter dated 28th November, 2023, reference MOE/VTT/10/17 Vol. I (60).

Committee Observation

292. The payment of the sitting allowance was irregular.

Committee Recommendations

293. The committee surcharges the board members with Kshs. 316,000 and the non-board members to pay Kshs. 80,000 for the irregular payment and recommends compliance with Section 10(1) of the State Corporation Act, CAP 446 which provides that the chairman and members of a Board, other than the chief executive, shall be paid out of the funds of the state corporation such sitting allowances or other remuneration as the Board may, within the scales of remuneration specified from time to time.

7.1.8 Irregular Procurement of Consumables

294. Note 8 to the financial statements reflects consumables expenditure of Kshs 1,467,880. Review of records revealed that items were procured using the low-value procurement method, although the expenditure had exceeded the prescribed maximum threshold for low value procurement of Kshs.10,000 set out in the first schedule of the Public Procurement and Asset Disposal Regulations, 2006.

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

Management Response

296. The Institute employed a procurement officer on 1st May, 2023 and pre-qualified suppliers for goods and services. In the 2021/2022 audit, the matter had been resolved

Committee Observation

297. The matter has been adequately addressed by the response.

7.1.9 Non-Compliance with the Law on Licensing and Registration of Trainers

298. The statement of financial performance reflects salaries and wages costs of Kshs.3,116,148 out of which an amount totalling to Kshs.460,020 that was paid to trainers. Review of records revealed that the trainers were not licensed and registered by the Technical and Vocational Education and Training Board. This is contrary to Section 23(1) of the Technical and Vocational Education and Training Act, Cap. 210A which

requires any person intending to become a trainer in an Institution to apply for licensing and registration by the Technical and Vocational Education and Training Board.

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

Management Response

300. Three of the trainers have not finalized their training in pedagogy as per registration and licensing of trainers by TVETA, but have professional qualifications in their field of specialization.

301. They lack of training as teachers (pedagogy) and are therefore not registered. 4 Trainers were recruited in 2024 by Public Service Commission in 2024 and, therefore not BOG staff & their employment letters are provided. 2 trainers with Diploma certificates were redesignated as Technicians.

Committee Observation

302. The institution did not adequately address the matter.

Committee Recommendations

303. The Accounting officer must ensure the trainers are licensed and registered in accordance with Section 23(1) of the Technical and Vocational Education and Training Act, Cap. 210A which requires any person intending to become a trainer in an Institution to apply for licensing and registration by the Technical and Vocational Education and Training Board.

7.1.10 Lack of a Risk Management Policy

304. Audit review of the Institute's internal control process, revealed that the Institute has not developed a risk management policy which outlines strategies to manage risk contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015. Failure to have in place risk management strategies may impair the effectiveness of internal control systems in managing risks.

305. In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

Management Response

306. The Institute was being audited for the first time and was therefore not aware of this requirement. A Risk Policy was approved by the Board on 8th March, 2024.

Committee Observation

307. The matter is resolved. The approved Risk Management Policy is currently in place.

7.2 Audited Statements for Financial Year 2019/2020 (Adverse Opinion)

7.2.1 Transfers from the National Government

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

7.2.2 Rendering of Services

309. The statement of financial performance reflects rendering of services-fees from students of Kshs.1,792,660 which varies with the amount reflected in Note 7 to the financial statements of Kshs.3,528,600 resulting to unexplained variance of Kshs. 1,735,940.

310. In the circumstances, the accuracy of rendering of service fees from students amounting to Kshs.1,792,660 could not be confirmed.

Management Response

311. The correct amount for income from rendering of services- fees is Kshs 1,792,660 as reflected in the statement of financial performance

Committee Observation

312. The matter is resolved. The statements have been amended and restated.

7.2.3 Employee Costs

313. The statement of financial performance reflects employee costs totalling Kshs.2,864,718. However, the amount varies with the payroll balance of Kshs.3,017,456 resulting to unexplained variance of Kshs.152,738.

314. In the circumstances, the accuracy and completeness of employee costs totalling to Kshs.2,864,718 for the year ended 30 June, 2020 could not be confirmed.

Management Response

315. The payroll amount of Kshs.3,017,456 is made up of all employee costs for both payroll and casual labour costs.

Committee Observation

316. The matter has not been adequately addressed. The employee costs were understated.

Committee Recommendations

317. The committee reprimands the finance officer and recommends that the corrections be made in subsequent financial years.

7.2.4 Current Portion of Receivables from Exchange Transactions

318. The statement of financial position reflects nil current portion of receivables from exchange transactions balance, while the corresponding Note 12 to the financial Statements reflects Kshs. 1,735,940 resulting to unexplained variance of Kshs. 1,735,940

319. In the circumstances, the accuracy of the nil balance in respect to the current portion of, receivables from exchange transactions could not be confirmed.

Management Response

320. This was a technical error since the receivables from exchange transactions balance of Kshs.1,735,940 was not included in the financial statements.

Committee Observation

321. The matter has not been adequately addressed.

Committee Recommendations

322. The committee reprimands the finance officer and recommends that the financial statements be amended in subsequent financial years.

7.2.5 Accumulated Surplus

323. The statement of financial position reflects accumulated surplus of Kshs.976,640. The amount includes an opening balance of Kshs.949,082 which varies with the prior year closing balance of Kshs.952,633 resulting to unexplained variance of Kshs.3,550. Further, the comparative balance for the accumulated surplus balance is reflected as reserves in the statement of financial position instead of accumulated surplus.

324. In the circumstances, accuracy of accumulated surplus balance of Kshs.976,640 could not be confirmed.

Management Response

325. The bank reconciliation statements have been provided.

Committee Observation

The matter has not been adequately addressed.

Committee Recommendations

326. The committee reprimands the finance officer and recommends that the financial statements be restated with the correct figures in subsequent financial years.

7.2.6 Refundable Deposits from Students' Deposits

327. The statement of financial position reflects nil refundable deposits balance from students' deposits while the corresponding Note 14 to the financial statements reflects an amount of Kshs.37,500 resulting to unexplained variance of Kshs.37.500.

328. In the circumstances, the completeness and accuracy of nil refundable deposits from students' balance could not be confirmed.

Management Response

329. This was a technical error since the caution money (students' deposits) balance of Kshs.37,500 was not included in the financial statements.

Committee Observation

330. The matter has not been adequately addressed.

Committee Recommendations

331. The committee reprimands the finance officer for the errors and recommends that the financial statements be amended in subsequent financial years.

7.2.7 Unsupported Travel Expenses

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

7.2.8 Unsupported Cash and Cash Equivalents

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

7.2.9 Property, Plant and Equipment

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

7.2.10 Budgetary Control and Performance

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

7.2.11 Late Submission of Financial Statements

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

7.2.12 Irregular Payment of Sitting Allowances

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

7.2.13 Irregular Procurement of Consumables

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

7.2.14 Non-Compliance with the Law on Licensing and Registration of Trainers

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

7.2.15 Lack of a Risk Management Policy

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

7.3 Audited Statements for Financial Year 2020/2021 (Adverse Opinion)

7.3.1 Inaccuracies in the financial statements

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

7.3.2 Unsupported Other Income – Creditors

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

7.3.3 Unsupported Travel Expenses

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

7.3.4 Unsupported Cash and Cash Equivalents

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

7.3.5 Property, Plant and Equipment

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

7.3.6 Budgetary Control and Performance

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

7.3.7 Late Submission of Financial Statements

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

7.3.8 Irregular Payment of Sitting Allowance

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

7.3.9 Irregular Procurement of Consumables

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

7.3.10 Non-Compliance with the Law on Licensing and Registration of Trainers

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

7.3.11 Lack of a Risk Management Policy

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

8.0 NAIVASHA TECHNICAL VOCATIONAL COLLEGE

352. Mr. Samuel Mugo, The Principal, accompanied by: -

i. Mr. Herman Munyali

Appeared before the Committee to adduce evidence on the audited accounts of Naivasha Technical and Vocational College, on 25th September 2024.

8.1 Audited Statements for Financial Year 2018/2019 (Disclaimer of Opinion)

8.1.1 Errors in the Annual Reports and Financial Statements

353. The financial statements for the period ended 30 June, 2019 submitted for audit review had the following presentation anomalies:

i. The pages i to iii do not have title headers.

ii. At page vii, a member of the Board of Governors (BOG) is described in two different names as Mr. Martin Mwaura Kinga and Mr. Ochieng.

iii. Page xv reflects wrongly that results for the entity end on page 63 instead of page 46 while information for members of the BOG is shown as ending on page vi instead of vii.

iv. Page 3 is blank.

354. Consequently, the financial statements for the period ended 30 June, 2019 do not conform to the presentation format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, Cap. 412A which states that PSASB shall prescribe the formats for financial statements and reporting by all state organs and public entities.

Management Response

355. The financial statements have been amended to conform to the prescribed format by the Public Sector Accounting Standard Board (PSASB).

Committee Observation

356. The matter is resolved. The signed amended financial statements (with some pages missing) were provided and verified by the OAG.

8.1.2 Unsupported Revenue from Non-Exchange Transactions

357. As disclosed in Note 6 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects transfers from the national government of Kshs.3,660,000. The amount includes a total of Kshs.2,060,961 that was disbursed to the College by the Ministry of Education in two instalments on 28 March, 2018 and 10 March, 2018. However, bank statements and cashbooks were not provided for audit.

358. Consequently, the accuracy and completeness of the transfers from the national government of Kshs.3,660,000 for the period ended 30 June, 2019 could not be confirmed.

Management Response

359. All the funds received by the college was received through Kabete National Polytechnic who were the mentor. Cashbooks and bank statements have also been availed.

Committee Observation

360. The matter is resolved. The bank statements and cash books supporting the amount of Kshs 2,060,961 have been provided.

8.1.3 Unsupported Fees from Students

361. As disclosed in Note 10 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects fees from students of Kshs.2,079,130 The amount is in respect of revenue raised from tuition fees, library fees, facilities and materials and registration fees. However, the supporting schedule reflects Kshs.2,076,930, resulting in an unexplained variance of Kshs.2,200. Further, the schedules provided did not indicate the receipt numbers for the respective revenue.

362. Consequently, the accuracy and validity of the fees from students of Kshs.2,079,130 for the period ended 30 June, 2019 could not be confirmed.

Management Response

363. Error in the presentation of fee received from students as they had been presented in cash basis instead of accrual basis hence the total fees received from students was Kshs. 2,615,490. The schedules have been availed.

Committee Observation

364. The matter is resolved. The bank statements and cash books supporting the amount of KShs. 2,060,961 have been provided.

8.1.4 Unsupported Employee Costs

365. As disclosed in Note 16 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects employee costs of Kshs. 1,561,648. The amount was spent on payment of salaries of part-time lecturers, travel and accommodation allowances and social contributions. However, the supporting schedule reflects Kshs.1,737,949, resulting in an unexplained variance of Kshs.176,301.

366. Further, the employee costs include wages of part-time lecturers of Kshs.543,400. However, the schedule did not disclose the identification numbers of the lecturers, the dates when respective lessons were conducted, and the payment made per lesson.

367. Consequently, the accuracy and validity of the employee costs of Kshs.1,561,648 for the period ended 30 June, 2019 could not be confirmed.

Management Response

368. The schedules have been availed to show clearly the amount for BOG staff sala part-time time lecturers' salary and travel and accommodation allowances and the part time lecturers personal file numbers, letters of appointments and timetables for the term.

Committee Observation

369. The matter is addressed. The supporting schedules were provided and verified.

8.1.5 Unsupported General Expenses

370. The statement of financial performance for the period ended 30 June, 2019 reflects general expenses of Kshs.1,601,282 as d under Note 22 to the financial statements. However, the supporting schedule reflects Kshs.1,055,160, resulting in an unexplained variance of Kshs.546,122. Further, the schedule does not reflect the reference numbers of the payment vouchers.

371. Consequently, the accuracy and occurrence of the general expenses of Kshs.1,601,282 for the period ended 30 June, 2019 could not be confirmed.

Management Response

372. Schedules have been prepared in relation to each item under general expenses vote head with their respective reference numbers.

Committee Observation

373. The matter is addressed. The supporting schedules were provided and verified.

8.1.6 Failure to Disclosure Property, Plant and Equipment

374. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment of Kshs.39,750. However, it was noted that the College owns properties which include parcels of land, an office block and classes, multiple high value engineering plant and machinery, and computers which have not been valued and disclosed in the financial statements.

375. Consequently, the accuracy and completeness of the property, plant and equipment of Kshs.39,750 as at 30 June, 2019 could not be confirmed.

Management Response

376. The management have undertaken an asset valuation through the public works department. The management is awaiting a response from the Ministry of Lands for the valuation of college land. the valuation report, the letters written and the updated asset register have been availed.

Committee Observation

377. The value of the assets owned by the College has not been included in the Financial Statements.

Committee Recommendations

378. The institution must carry out the valuation within three months after appearing before the committee and always adhere to Regulation 139 of the Public Finance Management (National Government) Regulations, 2015, which sets out the responsibility of an accounting officer of a national government on the management of assets.

8.1.7 Unsupported Cash and Cash Equivalents

379. The statement of financial position as at 30 June, 2019 reflects cash and cash equivalents balance of Kshs.1,119,346 and as disclosed under Note 27 to the financial statements. The amount is held in three bank accounts, namely; Main, Development and Fund accounts. However, the balances of the three accounts were not supported by signed bank reconciliation statements. Further, the cashbooks of the Main and Development accounts did not reflect the respective balances as at 30 June, 2019.

380. Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.1,119,346 as at 30 June, 2019 could not be confirmed.

Management Response

381. Cashbooks and bank reconciliations for the three accounts have been prepared as directed. And schedules are provided together with bank statements for verification.

Committee Observation

382. The matter is resolved. The cashbook and bank reconciliation statements have been provided. However, the balance as per the Cashbooks is Kshs.1,043,767, resulting in a variance of Kshs.75,579, management to reconcile the same.

8.1.8 Unsupported Receivables from Exchange

383. Transactions The statement of financial position as at 30 June, 2019 reflects receivables from exchange transactions of Kshs.536,360 which is in respect of student debtors. However, the schedules provided to support the balance did not show student admission number, course module, the fees invoiced, the amount paid and balance outstanding at the end of the financial period. Consequently, the accuracy and completeness of the receivables from exchange transactions of Kshs.536,360, as at 30 June, 2019 could not be confirmed.

Management Response

384. An updated schedule has been provided to show clearly the student's admission number, course module, the fees invoiced, the amount paid and the balance outstanding at the end of the 2018-2019 financial year

Committee Observation

385. The matter is resolved. The supporting schedules have been provided and verified.

8.1.9 Budgetary Control and Performance

386. The summary statement of comparison of budget and actual amounts for the period ended 30 June, 2019 shows that the College had a total income budget of Kshs.74,621,268 against actual income of Kshs.6,836,451 or 9% of the expected amount. Similarly, the statement reflects a total expenditure budget of Kshs.74,620,998 against actual expenditure of Kshs.6,370,390 or 9% of the expected expenditure.

387. The performance difference of approximately 91% is due to failure to obtain in full, the budgeted funding in government grants and public donations. Consequently, the College was not able to implement its development projects, leading to impairment of service delivery.

Management Response

388. The budgeted income was supposed to be rendered by the national government through the Ministry of Education, but the government did not remit development funds to the college, hence the underperformance of the college.

Committee Observation

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

Committee Recommendations

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

391. Further, the Institution is encouraged to develop other income-generating activities to increase its cash flow so as not to depend on government funding only.

8.1.10 Fixed Assets Register

392. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment of Kshs.39,750. However, examination of the fixed assets register provided for audit lacked crucial information including serial numbers of items, dates of acquisition, cost of acquisition (value) of the asset, additions made during the financial period under review, depreciated values and net book values.

393. Consequently, the register may not be a reliable document for effective control of assets and preparation of financial statements.

Management Response

394. The management has provided an updated fixed asset register which includes serial numbers of items, date of acquisition, cost of acquisition(value) of the asset, and the depreciation method and amount.

Committee Observation

395. The updated fixed assets register as at 30 June 2024 has been provided.

8.1.11 Lack of Risk Management Policy

396. Documents provided for audit revealed that the College does not have a risk management policy that guides on assessment and evaluation of risk and to develop the strategies to mitigate them. This is contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015, which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanisms; and a system of risk management and internal control that builds robust business operations.

397. Consequently, the College's risk mitigation strategies for the year under review could not be ascertained. In addition, the Management breached the law.

Management Response

398. The management now has a risk management policy document which was approved for use by the Board of governors of Naivasha TVC. A copy of the signed risk management policy has been availed.

Committee Observation

399. The matter is resolved. The approved risk management and fraud policy document has been provided.

8.2 Audited Statements for Financial Year 2019/2020 (Disclaimer of Opinion)

8.2.1 Inaccuracies in the Financial Statements

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

8.2.2 Errors in the Annual Reports and Financial Statements

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

8.2.3 Unsupported Transfers from the National Government

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

8.2.4 Unsupported Fees from Students

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

8.2.5 Unsupported Employee Costs

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

8.2.6 Unsupported General Expenses

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

8.2.7 Cash and Cash Equivalents

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

8.2.8 Undisclosed Property, Plant and Equipment

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

8.2.9 Unsupported Receivables from Exchange Transactions

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

8.2.10 Budgetary Control and Performance

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

8.2.11 Fixed Assets Register

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

8.2.12 Lack of Risk Management Policy

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

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

8.3.1 Non-Compliance with Public Sector Accounting Standards Reporting Template

412. The annual report and financial statements have not been signed by the chairman of the Board and does not have the report of the chairman and Board of Governors. In addition, the numbering of the notes in the financial statements does not match with the corresponding notes, while the statement of changes in net assets does not reflect the surplus and the closing balance for retained earnings.

413. Further, Note 31 on property, plant and equipment does not have comparative balances as provided for in the PSASB template. In the circumstances, the annual report and financial statements do not comply with the Public Sector Accounting Standards Board (PSASB) reporting template.

Management Response

414. The financial statements have been amended. During FY 2020-2021 the college had no Board of Governors, as their term had expired on 7th November 2020 and thus the signature of the Chairperson could not be appended.

Committee Observation

415. The matter is resolved. The amended financial statements (with some pages missing) have been provided.

8.3.2 Unsupported Expenditure on Repairs and Maintenance

416. The statement of financial performance and Note 13 to the financial statements reflects repairs and maintenance amount of Kshs.613,057. The expenditure was made through standing imprest by purchase of low value items which exceeded the threshold set for this method of procurement. In addition, the expenditure was not supported by end user requisition, schedule of items marked for repairs or maintenance and pre and post-inspection reports and the goods were also not taken on charge in the store records. Further, the cash sales used to support expenditure lacked ETR receipts and approval from the Procuring Officer.

417. In the circumstances, the regularity of repairs and maintenance expenditure of Kshs.613,057 could not be confirmed.

Management Response

418. The college did not have a procurement officer to guide on procurement procedures, requisition forms and schedule of items marked for repairs and post inspection reports and a procurement and stores office for centralization of goods during the year under review

Committee Observation

419. The supporting documentation was not provided. Contrary to section 68 of the Public Finance Management Act, Cap. 412A

Committee Recommendations

420. Accounting Officers must always ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods and services pursuant to the provisions of section 68(2)(e) of the Public Finance Management Act, 2012.

8.3.3 Anomalies in Reported Fees from Students

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

8.3.4 Unsupported Expenditure

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

8.3.5 Student Fee Debtors

423. The statement of financial position and Note 27(a) to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.1,177,455. The balance which relates to student debtors, decreased from amounts of Kshs.1,367,300 to Kshs.1,177,455 as at 30 June, 2021. However, no reconciliation of the student debtors was provided to confirm the student debtor's movement during the year. Further, the College did not prepare debtors aging analysis schedules to indicate the period the fees have remained outstanding. In addition, the reconciled schedule for capitation for students during the year was also not provided to confirm the outstanding balances per student sponsored.

424. In the circumstances, the accuracy and completeness of the current portion of receivables from exchange transactions balance of Kshs.1,177,455 could not be confirmed

Management Response

425. Reconciliation of student debtors have been done. Schedule for Debtor aging analysis have been provided. The capitation amounts received by students are provided in the attached schedules.

Committee Observation

426. The matter is addressed. The reconciliation of student debtors, debtors' ageing analysis and schedule of capitation amounts provided and verified

8.3.6 Cash and Cash Equivalents

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

8.3.7 Unsupported Inventories

428. The statement of financial position and Note 29 to the financial statements reflects inventories of Kshs.185,045. However, the amount was not supported by stock take sheets. This is contrary to Regulation 99(3) of the Public Finance Management (National Government) Regulations 2015 which provides that every entry in the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

429. In the circumstances, the accuracy and completeness of the inventories balance of Kshs.185,045 could not be confirmed

Management Response

430. A schedule of the stock takes as at 30 June 2021 have been provided. The college now has a procurement officer who ensures stock takes are taken quarterly.

Committee Observation

431. The matter is resolved. The schedule of stock take as at 30 June 2021 was provided.

Committee Recommendations

432. The matter is resolved

8.3.8 Undisclosed Property, Plant and Equipment

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

8.3.9 Budgetary Control and Performance

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

8.3.10 Lack of Risk Management Policy

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

8.3.11 Lack of Information and Communications Technology Policy

436. The College does not have an approved policy on Information and Communications Technology (ICT) that includes an IT continuity plan. In addition, there was no IT strategic or steering committee for the implementation of IT governance to safeguard its assets and there was no IT strategic plan. Further, there were no fire suppression systems.

437. In the circumstances, the College is prone to possible loss of critical data and information in case of a disaster

Management Response

438. Management now has an information and communication technology policy document, which was approved by the Board of Governors of Naivasha TVC.

Committee Observation

439. The matter is resolved. The ICT policy has been provided for verification.

8.3.12 Employee Costs

440. The statement of financial performance and Note 10 to the financial statements reflect employee costs of Kshs.1,616,164. Out of this amount Kshs.1,263,524 was in respect of salaries and wages. However, the College did not have an approved staff establishment to confirm the required number of employees and their designations. In addition, the College did not have policy documents on the process of inviting, identifying and appointment of contractual employees, minutes of interview panel and appointment letters presented for audit verification.

441. Further, the five (5) teaching and four (4) non-teaching employees were paid salaries that were not based on the salary structures and job groups approved by the Salaries and Remuneration Commission (SRC). In the absence of an approved staff establishment and policy on contractual employees, the College may not be able to determine the optimum

number to discharge services to its stakeholders and budget for staff recruitment and compensation.

Management Response

442. The College has an approved human resources manual and a staff establishment document

Committee Observation

443. The matter is addressed. The staff establishment for FY 2022/2023 is provided.

9.0 UNIVERSITY OF ELDORET

444. Professor Thomas Cheruiyot. The VC, accompanied by: -

i. Mr. Ereu Totona- Acting Deputy Finance Officer
ii. Prof. Wilson Ngetich- DVC Administration and Finance
iii. Prof. Teresa Akanga- Former VC
iv. Steven Anditi- Legal Council

Appeared before the Committee to adduce evidence on the audited accounts of the University of Eldoret, on 2nd October 2024.

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

9.1.1 Valuation of Property, Plant and Equipment

445. As previously reported, property, plant and equipment figure of Kshs.1,204,659.563 as at 30 June, 2019 includes transfer of assets from Moi University of Kshs.979,141,065. It was further reported that the University entered into a contract for the valuation of assets on 7 April, 2017 at a contract sum of Kshs.3,458,192. Information provided for audit revealed that the valuation report was completed and handed over to the Management. However, the report has not been approved by the University Council for implementation.

446. Under the circumstances, the accuracy, completeness and valuation of the University's property, plant and equipment balance of Kshs.1,204,659.563 as at 30 June, 2019 could not be confirmed.

Management Response

447. The Valuation report was tabled at the 77th Council meeting held on 21st August,2019.

a) Extract of Minutes that approved the valuation report by the University Council in its 77th Special Meeting held on 21st August 2019.
b) Extract of Valuation Report.
c) Finance Policy and Procedure manual provides valuation as Cost model

448. Approved valuation report by University Council in its 77th Special Meeting held on 21st August 2019

Committee Observation

449. The committee observed that the matter is resolved. A valuation report was submitted and verified in the council minutes provided to the Office of the Auditor General

450. Additionally, the Financial Statements for the year ending June 30, 2020, indicate the use of the COST Model in accordance with IPSAS 1. This model is documented in the finance policy and procedures manual, paragraph 19, and the council officially approved the policy.

9.1.2 Work-in-Progress Transferred to Property Plant & Equipment

451. The statement of financial position and as disclosed in Note 26 to the financial statements, reflects a property, plant and equipment balance of Kshs.1,204,659,563 as at 30 June, 2019. Included in this balance are transfers from Work-ln-Progress amount of Kshs.100,477,569. However, the final statements of account and the project handover minutes for an amount of Kshs.58,963,779 in respect of hotel and hospitality labs, main gate, health clinic and hotel academic kitchen were not provided for audit verification.

452. Consequently, the accuracy and completeness of the transfers from work-in-progress amount of Kshs.100,477,569 as at 30 June, 2019 could not be confirmed.

Management Response

453. The final statements of account and the project handover certificates for the transferred projects were attached for the committee's review.

i. Break down Final Account
ii. handover certificates
iii. Old Library Renovations
iv. Hotel & Hospitality labs
v. Main Gate
vi. Health clinic Minutes

vii. Final Accounts Old Library renovations

viii. Final Accounts Hotel & hospitality

ix. Completed handed over and in use.

Committee Observation

454. The matter is resolved. The handing over certificates from public works were provided and verified. The Final accounts for the old library, Kshs 19,770,309 and for the main gate and hotel academic kitchen were completed by the university as per implementation committee minutes. A site visit confirmed the complete building is operational and in use.

9.1.3 Trade Payables from Exchange Transactions - Retention Monies

455. The statement of financial position and as disclosed under Note 28(a) to the financial statements reflects trade payables from exchange transactions balance of Kshs.81,895,200 as at 30 June, 2019. The balance includes retention monies amount of Kshs.36,224,914. However, the University Management did not maintain a separate cash book and bank account for retention money. In the circumstances, it was not possible to confirm the accuracy, completeness and existence of the retention money totalling to Kshs.36,224,914 as at 30 June, 2019.

Management Response

456. We are in agreement with the audit observation that at the time of the audit the retention account had not been opened. However, we retained a Capital Projects Bank Account at Equity Bank. The University operates Capital Projects Bank Account at Equity Bank Eldoret with account name as University of Eldoret Capital Development account number 0300269123876 which is solely operated for capital projects only with a Cashbook and reciprocal retention General Ledger.

i. Approval to open capital projects retention account by Council dated 26th October, 2023.

ii. Retention Account GL

iii. Bank Reconciliation Statement.

iv. Certificate of Bank Balance

v. Provide the schedule of retention monies NBK Capital Development Retention.

457. We have subsequently obtained authority to designate an existing account at NBK No. 0102107332501 solely for retention monies as approved by Council.

Committee Observation

458. The matter is resolved. The institution now maintains a separate cash book and bank account specifically for retention monies. Previously, the Equity account was used for GOK-funded projects, and the National Bank account was used for internally generated funds. The retention monies account has now been transferred to NBK. This was confirmed by the council minutes approving the conversion of the existing account to the retention account, with account number 0102107332501, as supported by the bank certificate provided

9.1.4 Long Outstanding Imprests

459. The statement of financial position reflects receivables from exchange transactions balance of Kshs.431,492,518. Included in this amount are staff imprests amounts of Kshs.10,741,363. However, analysis of the outstanding imprests revealed that imprests amounting to Kshs.5,304,613 had been outstanding since the year 2014. This is contrary to Section 71(4) of the Public Finance Management Act, 2012 which provides that a Public Officer who is advanced cash and fails to account for it will have the advance converted into a debt subject to interest a rate prescribed by the regulations. Regulation 93(6) of the Public Finance Management (National Government) Regulations, 2015 provides for the recovery of outstanding imprests with an interest at the prevailing Central Bank Rate.

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

Management Response

461. The Imprest totaling Kshs 5,304,613 has been outstanding for over ninety (90) days related to post graduate students funded from the National Research Funds (NRF) who are undertaking their research. Previously, management issued imprest to students directly for research purposes. However, owing to non-accounting of imprest management instituted internal controls to give the supervisor the imprest rather than the student to ensure accountability and follow-up of the imprest disbursed and to adhere to section 71(4) of the PFM Act, 2012 in cases of failure to account for the imprest. There has been accounting for Kshs.4,846,762 With outstanding balance of Kshs.1,042,000 for two students. The two

students are being followed up as they have not completed their studies. The university is pursuing the two remaining post graduate students with security agencies to made them account for the imprests. To date, the only outstanding balance is Kshs 1,042,000 for two students, who have not completed their studies.

Committee Observation

462. Management provided verified surrender forms for the surrender of imprests amounting to Kshs.4,846,762. There is, however, an outstanding balance of Kshs.1,042,000 for two students as per the ledger provided.

Committee Recommendations

463. Management acted contrary to Section 71(4) of the Public Finance Management Act, Cap. 412A which provides that a Public Officer who is advanced cash and fails to account for it will have the advance converted into a debt subject to interest at a rate prescribed by the regulations. Regulation 93(6) of the Public Finance Management (National Government) Regulations, 2015 provides for the recovery of outstanding imprests with interest at the prevailing Central Bank Rate. The money must be recovered within one month after appearing before the committee.

9.1.5 Loss-Making Income Generating Activities

464. The statement of financial performance reflects income generating activities income figure of Kshs.6,510,090 for the year ended 30 June, 2019. This is an improvement from the loss made in the previous year 201712018 of Kshs.2,280,046. However, Note 7 to the financial statements has disclosed major losses under farm and catering income activities of Kshs.1,123,564 and Kshs.4,976,840 respectively. Although there was an improvement on the loss realized under farm and catering activities, the Management is yet to implement strategies to reverse the loss-making trend.

465. My opinion is not modified in respect of this matter

Management Response

466. The University established an IGU directorate to help revamp all the income generating units. Catering unit of the university serves solely students and is therefore highly subsidized as per the government policy on affordable university education. The university has put

mechanisms in place through the IGU director to ensure that the loss is reduced to a break-even point. Further, the university management board in consultation with the student leaders agreed to increase food prices as a strategy to reduce the net losses.

467. On the farm, the university appointed a farm committee to provide leadership and strategy to turn around the farm. The committee is making significant improvements, as shown in the quarter four report.

Committee Observation

468. Management provided Minutes on the resolution to increase food prices, agreed upon with students. Additionally, quarterly reports showing positive results in June 2024 were submitted.

9.1.6 Proposed Construction of Schools of Business Studies and Economics at University of Eldoret

469. Included in Work-ln-Progress amount of Kshs.249,742,950 is an amount of Kshs.157,114,910 relating to construction of the Schools of Business Studies and Economics, whose contract was awarded at a contract sum of Kshs.241,236,042. According to the contract documents, the project was scheduled for completion on 6 September,2017. However, site visit on 6 August, 2019 and status report provided for audit revealed that the works were ongoing and 80% complete, with the project being behind schedule by twenty-three (23) months. Although the Management explained that the contractor had requested for extension of the contract period, no evidence was provided for the extension.

470. ln addition, Management paid Kshs.2,000,000 as project management fees in full as per certificate No.11 of 18 March, 2019. However, the payments were not supported by signed payment schedules, site meeting minutes and the project manager's instructions. ln the circumstances, the validity of the expenditure on project management fees could not be confirmed and no value for money has been realised.

Management Response

471. The University received copies of request for extension of contract from the contractor and we waited for recommendation from the project manager to enable us prepare contract of extension. The prerogative of extending the contract lies with the Project Manager and we had not received a recommendation as required. However, the contract was deemed to be

valid since no termination had been issued by either. The delays had been contributed mostly by supplementary budget cuts. Further, the BQs provided for project management fees to be paid for during inspection visits and site meetings. These were pegged on projected meetings within the project period and rates set out by the State Department of Public Works. However, the project overruns its time. The payments were done by the consultant directly to the project manager supported by site meeting minutes and the project manager's instructions accordingly.

Committee Observation

472. The matter is resolved. The building is complete and in use.

9.1.7 Proposed Construction of Masonry Perimeter Fence Phase III at University of Eldoret

473. Included in Work-ln-Progress balance of Kshs.249,742,950 is Kshs.27,552,911 relating to the construction of perimeter fence Phase III The contract was awarded to a contractor at a contract sum of Kshs.32,494,800 out of which Kshs.27,552,911 or 85% of the contract sum had been paid as at 30 June, 2019. The project which was scheduled for completion in November, 2017 was behind schedule by eighteen (18) months. Site visit on 6 August, 2019 revealed that the works were not complete such as plastering, electrical works and painting. Management explained that the contractor had been instructed to correct the defects before handing over, which the contractor is yet to comply with.

474. Consequently, value for money was not achieved on the project as scheduled.

Management Response

475. The contractor subsequently attended to the defects and the project was officially handed over to the university.

Committee Observation

476. The matter is resolved as the following documents were provided: a verified eighth and final account statement, a correction of defects certificate from public works, and a handing over certificate.

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

9.2.1 Inaccuracies in Cash and Cash Equivalents - Unreconciled and Unexplained Difference in the Balances

477. The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.460,610,356 and as disclosed in Note 22(a) to the financial statements. However, the statement of cash flows reflects cash and cash equivalents at the end year of Kshs.460,052,306. The resulting difference of Kshs.558,050 has not been reconciled or explained.

Management Response

478. We are in agreement with the audit observations and we made the corrections in the year 2021 Financial Statements.

Committee Observation

479. The matter is resolved. A verified and corrected cash flow statement was provided in the financial year 2021.

Committee Recommendations

480. Management must ensure compliance with Section 81 (3) of the Public Financial Management Act, Cap. 412A which states that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

9.2.2 University of Eldoret Student Organization

481. Account Disclosed in Note 22(a) to the financial statements under cash and cash equivalents balance of Kshs.460,610,356 is an amount of Kshs.847,937, which was held in Cooperative Bank (UESO Account) and relating to the university student organization. However, the amount has not been concurrently and specifically disclosed under other payables- students in Note 28(b) to the financial statements. No explanation has been provided for this omission.

Management Response

482. UESO is not a body corporate and operates courtesy of the University. Therefore, the UESO account is an account for students' activities which holds the funds generated from the

students' activities fees under administrative levies. The funds had already been transferred to the students account and therefore do not qualify as trade payables - students as indicated in Note 28(b). The IPSAS template was customized to reflect this unique payable and note 31 was introduced as a liability

483. The IPSAS template was customized to reflect this unique payable and note 31 was introduced.

Committee Observation

484. The matter is resolved, as evidenced by the minutes, which provide details on the operations of the accounts. The accounts are now separated and reported under Note 31, as other Payables. Furthermore, the IPSAS template was customized for presentation purposes to cater to the unique payables.

9.2.3 University of Eldoret-Endowment Fund

485. Included also in the cash and cash equivalent balance of Kshs.460,610,356 as disclosed in Note 22(a) to the financial statements is University of Eldoret-Endowment Fund amount of Kshs.888,000. However, the amount has not been concurrently and specifically disclosed under other payables- payroll in Note 28(c) to the financial statements. No explanation has been provided for this omission. In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.460,610,356 as at 30 June, 2020 could not be confirmed

Management Response

486. The funds were still being held as university fund until the Endowment fund was dully registered and Board of Trustees inaugurated. The process had delayed due to Covid-19 pandemic and has since been concluded. The funds have therefore been appropriately classified. The University obtained all the legal documents to enable financial transactions be done separately from the University set up. The IPSA template was customized to reflect this unique payable and note 32 was introduced as a current liability. The IPSA template was customized to reflect this unique payable and note 32 was introduced funds transferred.

Committee Observation

487. The matter is resolved as the IPSAS template was customized for presentation purposes to cater to the unique payables under note 32. The cash and the other payables were also reconciled.

9.2.4 Unreconciled Transfers from Work-In-Progress

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

9.2.5 Retention (Contractor)

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

9.2.6 Research Fund Account

490. The statement of financial position as at 30 June, 2020 reflects research fund account balance of Kshs.71,531,611. During the year, the University received donor funds totalling Kshs.128,529,041 out of which an amount of Kshs.56,997,430 was disbursed to lecturers for research purposes. Although, the University management provided documents indicating how the funds were disbursed to the lecturers, there were no reports of the research done to support the achievement of intended objective or purpose of the donor funds. In the circumstances, the validity and completeness of the expenditure of Kshs.56,997,430 incurred on research fund account could not be confirmed.

Management Response

491. Research reports are periodically done and sent to the donor. Copies of reports and agreements of one such project are hereby provided for the committee's further review.

Committee Observation

492. The matter is resolved, the verified copies, agreements and achievements under publications, including research reports were provided.

9.2.7 Inaccuracies in the Statement of Changes in Net Assets

493. The statement of changes in net assets for the year ended 30 June, 2020 reflects under revenue reserves an unexplained and unsupported opening balances of (Kshs.49,750,674). Further, the statement of changes in net assets reflects prior year adjustments of (Kshs.93,843,723) under revenue reserves whereas the total amount across is shown as Kshs.12,877,889. Consequently, the accuracy of statement of changes in net assets as at 30 June, 2020 could not be confirmed.

Management Response

494. We agree with the audit observation. However, this was noted as casting error that did not have any impact on the financial statements. The sum of Kshs. 1,448,853,736 and Kshs. 178,906,628 amounts to Kshs. 1,627,760,364 as reported in the statement of financial position. The correct balance was reflected in the 2021 financial year.

Committee Observation

495. The matter is resolved. The correct amounts are reflected in the financial statements for the financial year 2021.

9.2.8 Long Outstanding Imprest

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

9.2.9 Loss Making Activities

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

9.2.10 Litigation Against the University

498. The statement of financial performance for the year ended 30 June, 2020 reflects administration and central services expenses of Kshs.65,259,153 which include legal fees of Kshs.12,975,331. The amount was paid to a private legal firm vide two cheques numbered 40469 dated 20 March, 2020 of Kshs.4,247,363 and 40624 dated 16 March, 2020 with two payments of Kshs.2,969,000 and Kshs.5,080,800, respectively.

499. The University of Eldoret had been sued on various matters for which it either counter sued or appealed. In defending or litigating the cases, the University hired a private advocate to represent the University in Employment and Labour Relations Court where two employees sued the University for unfair dismissal. The court awarded them Kshs.38,903,116 through a judgement which was delivered on 9 July, 2019.

500. Further, one of the litigants earned salaries amounting to Kshs.14,157,725 during the litigation period, May, 2016 to October, 2019 from the University. Therefore, the value of money for the legal fees expenditure of Kshs.12,975,331 incurred by the University could not be justified.

Management Response

501. Payment of Legal fees is the subject of the Advocates remuneration order which provides the minimum payable rates for the provision of legal service. The University did not by itself trigger the litigation dispute but as a matter of operational course, the University was constrained to defend itself.

502. **Litigation History Prof Kiprop and Another versus University of Eldoret**. The various related matters that have arisen over the past five years in the various court levels. A full closure of this series of cases would indicate that according to the Advocates Remuneration Order the minimum scale fees of Kshs.12,975,331 as legal fees in Litigation is reasonable in the circumstances

503. **Value for money**. The basis of the litigation was to protect University processes; furthermore, the litigation was NOT initiated by the University. The University successfully defended the suits at the high Court level, but at the appellate levels the litigation morphed to incorporate issues previously not determined by the lower Court. The University was thus duty bound to point out the issues in Court. Failure to defend the suits could only have resulted to punitive costs and aggravated damages for the University and an aggressive execution process inviting auctioneers and other Court bailiffs.

504. Furthermore, the financial component cannot be the only matrix, the impact of litigation transcends finances. In this case, the import of a Court judgement touched on the validity of past and future decisions of the University Council, thereby constraining the University to defend itself and the public interest. The Court of Appeal in Civil Appeal No. 55 Of 2017 Consolidated with Nakuru Civil Appeal No. 58 Of 2017 Between Professor Ezekiel Kiprop Versus the University of Eldoret. The Court of Appeal implicitly declared the University Council, which is the apex University organ as being improperly constituted null and void.

505. The consequences of the declaration were so grave (with regard to University processes e.g. graduation of students and appointment of staff such that the Court ruling as a matter of course was fit for, appeal). The University was thus duty bound to protect public funds. One of the litigants Prof. Ezekiel Kiprop was at all material times an employee of the University and earning a salary. The onus was on the University to point this out to the Court to avoid a scenario where the staff could benefit both from the continuous payment of salary and award of damages (w.e.f) from May 2016 to October 2019 the staff had received payment of Kshs.14,157,725 as salary, The issue was raised by the University in Court Proceedings but

the Court directed that they Applicants are entitled to the award regardless of the continuing employment The Kshs.38,903,116 was paid through a Garnishee Order of the Court after the appellants got a judgement.

506. The issue of whether the University handled the disciplinary process fairly or unfairly has never been considered by any Court of Record. The position is the Court of Appeal declared that the University Council was not properly constituted due to some members having not have been competitively appointed and directed the ELRC to consider the matter on this basis. The ELRC declared its hands as having been tied and rendered judgement in favour of the two former employees. There was no consideration of the University's defence at that point.

Committee Observation

507. No recovery for the court award monies and the legal fees for the defense of the litigation by the university to date.

Committee Recommendations

508. Management must ensure adherence to Section 36 of the Universities Act, Cap. 210 on the appointment of the council and Section 12 of the Employment Act, Cap. 226.

9.2.11 Disproportionate Increase in Accrued Expenses

509. The statement of financial position reflects accruals and provisions totalling Kshs.511,722,803 which include accrued expenses of Kshs.504,553,967 as at 30 June, 2020 (2019 - Kshs.164,630,181). The disproportionate increase in accrued expenses by Kshs.339,923,786 or 206% in the financial year 2019/2020 is an indication that the university was not paying its obligations as they fall due.

Management Response

510. We agree with the audit observations. However, the increase in accrued expense was mainly contributed by staff salary arrears, which the Ministry gave a directive that we incorporate the amounts in the 2019/2020 financial year amounting to Kshs. 253,432,139, student activities which were postponed after closure of University due to COVID-19 and pending local purchase orders for examination were paid in the subsequent month of July 2020. The Ministry's directive has been attached for your further review

Committee Observation

511. The matter is resolved. The confirmation and verification of an approved supplementary budget of Kshs. 253,432,139, which was allocated to settle CBA arrears accrued in June was provided. This budget was subsequently released in July's ledger to cover postponed activities that were deferred to the following year.

9.2.12 Council Expenses

512. During the year under review, the University incurred expenses for the meetings held by its Council amounting to Kshs.18,560,104. However, examination of the payment documents revealed that out of the Kshs.18,560,104, the Management issued imprests amounting to Kshs.7,087,010 to one officer to pay the Council members their allowances and other incidental expenses.

513. The Management did not issue imprests and deposit the funds directly into the individual Council member's bank account. This is contrary to the National Treasury Circular No.18/2009 of 29 September, 2009 which encouraged payment through electronic funds transfer

Management Response

514. Council Imprest as is the case with all other Imprest is an advance to a staff for purpose of executing an activity and thereafter account for the funds accordingly. Further, council expense ledgers are only posted upon accounting of the We are in agreement with the audit observations. Imprest taken and therefore are not expensed directly. Council members in the past preferred being paid by cash and signing acknowledgements of the same during the meeting which were attached to accounting documents which were provided for audit verification. Currently, these payments are processed through transfer of funds to individual council members accounts and acknowledged through signing by individual council member

Committee Observation

515. The institution acted contrary to the National Treasury Circular No.18/2009 of 29 September 2009, which encouraged payment through electronic funds. The system was later changed and currently, council members are paid directly to their accounts.

9.2.13 Proposed Construction of School of Business Studies and Economics at University of Eldoret

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

9.2.14 ERP System Imprest Reports

517. A review of the ERP system imprest reports revealed that in some cases, the system duplicated imprest surrender multiple times resulting in overall reduction in imprest owing to the University and the total receivables. This is an indication that the system, which the University had acquired at a cost of Kshs.19,140,000 and later on entered into a Service Level Agreement with the vendor to provide system service support, at an annual cost of Kshs.2,296,800, is either faulty, inefficient or open to manipulation.

Management Response

518. We are in agreement with the auditor. However, the University ERP system has greatly improved performance and accuracy of our operations. The ERP has largely been accurate with only minimal items malfunctioning due to major features requested by the users from time to time. These have been dealt with on timely basis by the service provider whenever these are discovered and reported as per the Service Level Agreement. However, the university is in the process of internally developing its own ERP systems

Committee Observation

519. The matter is resolved. Management provided the council minutes from the university indicating the council's intention to obtain an ERP system.

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

9.3.1 Inaccuracies in the Financial Statements

520. The statement of financial performance reflects total income of Kshs.2,348,018,040 while the Enterprise Resource Planning (ERP) general ledger reflects total income of Kshs.2,378,070,988 resulting to an unreconciled variance of Kshs.30,052,948. Similarly, the statement reflects total expenses of Kshs.2,254,542,178 while the ERP general ledger balance of Kshs.2,385,899,093 resulting to an unreconciled variance of Kshs.131,356,915.

521. The statement of financial position reflects an amount of Kshs.2,495,557,700 in respect to total assets while the general ledger reflects Kshs.3,489,548,564 resulting to an unreconciled variance of Kshs.993,990,864. Similarly, the statement reflects total liabilities as Kshs.775,562,383 while the general ledger reflects Kshs.1,781,652,917 leading to an unreconciled variance of Kshs.1,006,090,534.

522. The statement of financial position reflects cash and cash equivalents balance of Kshs.618,103,671 while the general ledger reflects Kshs.715,155,736 resulting to an unreconciled variance of Kshs.97,052,065.

523. The statement of changes in net assets reflects a balance of Kshs.1,719,995,318 in respect of reserves while the general ledger reflects a balance of Kshs.1,707,895,647. The resultant variance of Kshs.12,099,671 has not been reconciled.

524. The statement of financial position reflects work in progress (WIP) balance of Kshs.397,511,688 as disclosed in Note 26 to the financial statements. The balance includes an amount of Kshs.55,694,456 relating to construction of perimeter wall whose review of project documents reveal that the certificate of completion was issued on 28 September,2020 and the project handed over on 2 June, 2021. However, the balance has not been transferred from work in progress to buildings category of assets.

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

Management Response

526. We are in agreement with the auditor that the ERP Generated Financial Statements are inaccurate. The treatment of some items from the Trial Balance to Financial Statements ERP Generated Financial Reports varies due to requirements of the International Public Sector Accounting Standards (IPSAS) guidelines which were used to prepare the financial statements presented for audit. Examples include Property, Plant, and Equipment Schedule used in financial statements while ERP generated are itemized as both Non-Current Assets

and Liabilities, Items of Expenses (Revenue Reserves) which are liabilities in financial statements etc.

Committee Observation

527. The matter is resolved. The errors were due to the weak internal controls of the ERP system.

9.3.2 Unsupported Research Agency Account

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

9.3.3 Unsupported Receivables from Exchange Transactions

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

9.3.4 Failure to Recover Long Outstanding Imprest

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

9.3.5 Irregular Procurement of Cleaning Services

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

9.3.6 Delayed Completion in Construction Works

532. The statement of financial position reflects work in progress (WIP) balance of Kshs.397,511,688 as disclosed in Note 26 to the financial statements. Included in the balance is an amount of Kshs.21 1,636,861 in respect to the construction of the Proposed Schools of Business Studies and Economics Complex. Review of the contract documents revealed that the contract was awarded on 6 June, 2019 for a period of seventy-two (72) weeks which was later revised to one hundred and sixty-two weeks (162). However, as at 30 June, 2021 the works were still incomplete.

533. Further, included in the work in progress balance of Kshs.397,511,688 is an amount of Kshs.114,868,371 in respect of the proposed construction of Amphitheatre. Review of records revealed that the contract was awarded to a local firm on 10 June, 2019 ala contract sum of Kshs.373,000,000 for a period of seventy-eight (78) weeks. Physical verification of the project in the month of February,2022 revealed that the works were at 31% completion and may not be completed before the expiry of the expected completion date of 21 April, 2022.

534. In the circumstances, stakeholders may not obtain value for their resources spent on these projects if they are not completed and put to their intended use.

Management Response

535. The Construction of Schools of Business studies and Economics Complex delays notwithstanding, the project was handed over to the University in December 2021 (see attached certificates) and has been in use since then. There have been delays in making good user-noted defects which has delayed the preparation of final accounts and closing of the project.

536. The Proposed Construction of Amphitheatre at University of Eldoret project has experienced challenges, including the COVID 19 pandemic. In addition, there has been inadequate funding and disbursement from the Government. The contractor had requested and was granted extension time to 29th December 2022, which has also expired. Finally, due to factors beyond the Main Contractor's control, mainly the termination of two sub-contractors due to non-performance (see communication attached), which necessitated re-tendering, another extension of time has been sought (see attached request). The re-tendering process has been successful and new sub-contractors have been nominated. However, the projects was not adequately funded and the project is stall

Committee Observation

537. The Business Studies and Economics Complex is completed and in use; however, the Amphitheatre was behind schedule and has since stalled.

Committee Recommendations

538. The office of the Auditor General to report on the progress of the Amphitheatre in the subsequent financial years. Management must always ensure compliance with Section 139(3) of the Public Procurement and Assets Disposal act, Cap.412 , which provides that the extension of contract period under section 139(2)(a) of the Act, where delivery is delayed, shall not have a financial implication.

9.3.7 Lack of an Approved Policy on Income Generating Activities

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

9.3.8 Long Outstanding Payables

540. The statement of financial position reflects other payables from payroll dues balance of Kshs.172,151,528 which as disclosed in Note28(c) to the financial statements includes amounts due to part time lecturers totalling to Kshs.149,712,556. The part time lecturers balance has been steadily increasing an indication that the University is not able to meet its obligations when they fall due. In the circumstances, operations at the University may not be running effectively and efficiently.

Management Response

541. We agree with the audit observations; however, the part time is payable as provided in the part time policy. The policy requires that part time claims are done upon submission of results. However, the academic years begins in September each year and end in May. This means that results would be availed in July-August after the financial year that would allow part time claims to be done. This situation forces us to accrue part time expenses each year in compliance with matching concept. Further, quite a number of part time lecturers had not presented their claims owing to COVID-19 pandemics thus the increasing provisions.

Committee Observation

542. The matter is resolved. The claims accrued based on appointment letters, which caused the spike in provisions. The gratuity and pension were provided for in the current year.

10.0 UNIVERSITY OF ELDORET

543. Professor Thomas Cheruiyot. The VC, accompanied by: -

(i) Mr. Ereu Totona- Acting Deputy Finance Officer

(ii) Prof. Wilson Ngetich- DVC Administration and Finance

(iii) Mr. Steven Anditi- Legal Counsel

Appeared before the Committee to adduce evidence on the audited accounts of the University of Eldoret, on 27th March 2025.

10.1 Audited Statements for Financial Year 2021/2022(Qualified Opinion)

10.1.1 Unsupported Student Debtors

544. The statement of financial position reflects receivables from exchange transactions amount of **Kshs.250,082,912** which includes student debtors amount of Kshs.**234,564,771** as disclosed in Note 23(a) to the financial statements. Audit review revealed that student debtors reduced by Kshs.59,050,378 from Kshs.293,615,149 reported in the previous year audited financial statements to Kshs.234,564,771 in the year under review. However, the student debtor's movement schedule showing the opening balances, additions during the year, receipts/payments made and the closing balances was not provided for audit verification.

545. In the circumstance, the accuracy and completeness of student debtors amounts of Kshs.234,564,771 could not be confirmed

Management Response

546. The long outstanding debtors are mainly due to students who, for reasons such as death, deferment, disciplinary, or abscondment, suspend their studies and have not resumed.

547. To recover the long outstanding receivables, the council discussed the issue and recommended that the Vice Chancellor appoint a committee on the resolution of long outstanding debtors which was done on 13th January 2025. The draft report has been prepared and presented to the University Management for consideration and will be considered by the council in April 2025.

Committee Observation

548. The matter is resolved. A verified movement schedule showing debtors' movements was provided.

10.1.2 Unsupported other payables from students' transactions

549. The statement of financial position for the year under review reflects other payables from student transactions balance of Kshs.206,543,788 which comprises HELB loans amount of Kshs.5,376,080, bursaries receipts amount of Kshs.186,000, CDF receipts amount of Kshs.20,912,584, Sponsorships amount of Kshs.22,292,977 and unallocated fee amount of Kshs.13,503,191 all totalling to Kshs.62,270,832 as disclosed in Note 28(b) to the financial statements. However, deposit slips in respect of the other payables from student transactions had not been receipted and subsequently posted to the relevant revenue streams and credited to the student ledgers.

550. In the circumstance, the completeness and accuracy of other payables from student transactions balance of Kshs.206,543,788 and other income amount of Kshs.514,279,915 could not be confirmed.

Management Response

551. These are funds received for payment of fees that cannot be attached to a student hence held in control accounts under other payables from student transactions. A detailed schedule showing the amount of fees payable per student, fees paid, balance, and the period to which the prepayments are related is hereby attached for verification.
552. Frequent communication has been made between the respective entities for the purposes of clarification of wrong beneficiary details as well as the reallocation of these funds to other beneficiaries. The Vice-Chancellor has also appointed a committee on the resolution of other payables.

Committee Observation

553. The matter is resolved. Letters appointing a committee on the resolution of other payables were provided.

10.1.3 Lack of Ownership Documents

554. The statement of financial position reflects property plant and equipment at Kshs,1,041,025,765 as disclosed in Note 25 to the financial statements. included in this balance is an amount of Kshs.159,575,207 before depreciation in respect to motor vehicles. However, ownership documents for 43 out of the 75 vehicles appearing in the assets register, were not provided for audit verification.
555. In the circumstance, completeness, rights and obligations to the property plant and equipment at Kshs,1,041,025,765 could not be confirmed.

Management Response

556. These vehicles/motorcycles were advertised and sold as per the attached list since most of them were uneconomical for the University to run.

Committee Observation

557. The matter is resolved. A verified list showing that 25 vehicles were sold, and ownership documents for six vehicles were provided and the institution is currently processing the ownership documents for five vehicles.

10.1.4 Statement of changes in Net Assets

558. The statement of changes in net assets reflects under revenue reserves, Negative adjustments of **Ksh.20,160,713** Described as opening balances and Ksh.**6,622,970** as prior year adjustments. The management has explained that these adjustments related to prior year adjustments. However, a prior year adjustment explanatory note has not been included in the notes to financial statements.

559. In the circumstances, the accuracy of the statement of changes in net assets could not be confirmed.

Management Response

560. These were students' adjustments for invoices in past closed periods. Reconciliation was done and corrective journals were posted.

Committee Observation

561. The matter is resolved. The journals explaining the variances were provided.

10.1.5 Loss-Making Income-Generating Activity

562. The statement of financial performance for the year ended 30 June, 2022 reflects Income Generating Activities (IGA) income of Kshs.13,481,987 which is an improvement from the profit made in the comparative year of Kshs.4,165,085. However, on individual IGA performance, catering made a loss of Kshs.989,857, down from a profit of Kshs.73,405 in the previous year. Management has not provided an explanation for the decline and steps to reverse the trend.

563. In the circumstance, Losses by IGA affect the overall financial performance of the university.

Management Response

564. The University Catering unit serves solely students and is therefore highly subsidized as per the government policy on affordable university education. The Tariffs that were being

charged at that time were low but they have since been revised. However, this was exacerbated by the increase in input prices, especially during COVID 19 period. The University has put in place mechanisms to ensure that the loss of Kshs. 989,857.00 is reduced to a break-even point.

Committee Observation

565. The Council resolution to reverse the loss-making trend has not been successful.

Committee Recommendations

566. The Management should provide list of measures showing how they have addressed the loss-making trend in the income-generating activity and return to profitability and always ensure compliance with Section 149 of the Public Finance Management, Cap. 412A on efficiency, lawful, economic, and effective use of resources by Heads of the entity.

10.1.6 Delayed Completion of Construction Works

567. The statement of financial position reflects a work in progress (WIP) balance of Kshs.462,784,145 as disclosed in Note 26 to the financial statements. The balance includes construction of Schools of Business studies and Economics Complex Amount of Kshs.241,640,240. Review of the contract documents revealed that the contract provided for a period of 72 weeks starting 6 June 2016 and ending 6 September 2017. The contract period was later revised to 162 weeks ending 31 May 2019. At the time of physical verification on 25 January, 2023 the project still had some works/defects to be corrected and it had not been commissioned. The project had therefore been delayed by three (3) years seven (7) months.

568. In addition, based on capital projects status report for 2021/2022 as at 30 June, 2022 the proposed construction of the school of business studies and the school of economics health at the university of Eldoret; the contract sum for the project was Kshs.241,236,042 and the amount certified and paid as at 30 June, 2022 was Kshs.241,640,240, implying an overpayment of Kshs.404,198 while the project remains incomplete. As at 30 June, 2022 the project still remained WIP and no justifications and approved extensions have been provided.

569. Further, included in the work in progress balance of Kshs.462,784,145 is an amount of Kshs.143,302,859 in respect of Proposed Construction of the Amphitheatre at University of Eldoret. A review of records revealed that the contract was awarded at a contract sum of

Kshs.373,000,000 for a period of 78 weeks starting 10 June 2019 and ending on 14 December 2020. Physical verification in the month of January 2023 revealed that the works were at 65 % nine (9) months after the revised completion date of 21 April 2022.

570. In the circumstances, stakeholders may not obtain value for their resources spent on these projects if they are not completed and put to their intended use.

Management Response

571. The Construction of Schools of Business studies and Economics Complex delays notwithstanding, the project was handed over to the University in December 2021 and has been in use since then. The defects that were there were finally rectified During the final inspection carried out on 24th of January 2023, the Project Manager confirmed that they are working on the final accounts and the project was closed and transferred from WIP register to PPE register.

572. The status of the project, which is under full funding by the Government of Kenya, is stalled. The exchequer has not allocated any budget for two financial years with previous allocations of over Kshs. 100 million to only Kshs. 15 million in FY 2023/2024 under audit with only Kshs.3.75 million disbursed and Zero allocation in FY 2024/2025.

573. The last report from the Project Manager indicates the project is above 80% complete with regards to builders' works, implying the pending works are largely services and finished works- equipment and furnishing.

574. The University has made several requests to the government for support to complete this critical facility. Currently, the main contractor has terminated the contract citing financial frustrations

Committee Observation

575. The Business Studies and Economics Complex is completed and in use; however, the Amphitheatre was behind schedule and has since stalled.

Committee Recommendations

576. The management should ensure the project is given priority in its subsequent budgets and fast-track the project funding by the Government of Kenya. The office of the Auditor General to report on the progress of the Amphitheatre in the subsequent financial years.

577. Management must always ensure compliance with Section 139(3) of the Public Procurement and Assets Disposal Act, Cap. 412C, which provides that the extension of contract period under section 139(2)(a) of the Act, where delivery is delayed, shall not have a financial implication.

10.1.7 Acting Positions and Allowances

578. Note 10(a) to the financial statements reflects staff remuneration cost amounting to Kshs. 1,729,391,983 which included personal emoluments amounting to Kshs. 1,086,682,735 out of which Kshs. 8,315,307 was paid as acting allowance. However, some employees had acted for more than six months without being confirmed.

579. This contravenes Clause 26.10 (c) of the Supplementary collective bargaining agreement (CBA) between University and Universities Academic Staff Union (UASU) which states that where a vacancy exists in the office of the Head of Department, an acting appointment may be confirmed within six months. Further, the position against which the staff were acting were not supported by staff establishment and declaration of vacancies.

580. In the circumstances, the Management was in breach of Collective Bargaining Agreement (CBA) between University and Universities Academic Staff Union.

Management Response

581. The University made several requests to the National Treasury through the Ministry of Education to be allowed to recruit critical staff. While the requests were declined, thus the University engaged staff in an acting capacity to ensure business continuity. The National Treasury finally approved the recruitment of critical staff in the FY 2023/2024 for which the process was initiated and competitively filled through external advertisement and in line with the recruitment procedure. The positions filled were those of Deputy Vice-Chancellor, Academics & Student Affairs, and Chief Internal Auditor. Other Officers were appointed to act for six (6) months in positions that were non-responsive and have now been advertised and substantively filled within 2025/2026 FY financial year. The University has further, put in place measures to reduce considerably the positions in acting by appointing staff as substantive heads of departments and further stopping payment of acting allowances.

Committee Observation

582. Two (2) officers are still serving in an acting capacity. The institution, however, had placed a new advertisement on 18th March 2025 to fill current acting positions.

Committee Recommendations

583. The University should ensure that acting positions are strictly held for the duration provided by law. They should be filled in the year in which they occur, as they are budgeted for. Management must ensure compliance with Clause 26.10 of the Supplementary Collective Bargaining Agreement (CBA) between the University Council and Universities Academic Staff Union (UASU) states that acting allowance will be paid where a vacancy exists in the office of a head of department, and an acting appointment may be confirmed within six months.

10.1.8 Non-Compliance with the National Cohesion and Integration Act, 2008

584. Review of personnel data in the ERP system revealed that during the year under review, the institution had 1,169 employees out of whom 662 or 57% of the total number were staff from one dominant community contrary to Section 7(1) & (2) of the National Cohesion and Integration Act, Cap. 7N , stating that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one-third of its staff from the same ethnic community.

585. The management was in Breach of Law.

Management Response

586. This University advertises the positions in the daily newspapers but majorly attracts people from the region for lower cadre staff. The University has made efforts to attract people from all over Kenya to all her Senior management positions.

Committee Observation

587. An analysis of recruitments to show trends towards attainment of adherence to Ethnicity and Regional Balance in Staffing (dated 20 March 2025) was provided. However, no breakdown was provided for specific staff per recruitment to support the numbers reported in the Analysis.

Committee Recommendations

588. Management should come up with documented measures to be put in place to ensure compliance with the law on ethnic composition during recruitments by ensuring adherence to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N states that no public establishment shall have more than one-third of its staff from the same ethnic community.

10.1.9 Budget Performance

589. The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.2,441,108,226 against an actual performance of Kshs.2,487,388,141 thereby leading to a revenue surplus of Kshs.46,279,915. Similarly, the statement reflects a final expenditure budget of Kshs.2,441,108,225 against an actual expenditure of Kshs.2,424,731,307 thereby leading to an over expenditure of Kshs.16,376,919.

Management Response

590. The revenue surplus of Kshs. 46,279,915 (2%) arose from an increase in the number of enrolled students under the new fee structure and general improvements in income collection.

591. The over-expenditure of Kshs. Kshs.16,376,919 (1%). This is an under-expenditure and not an over-expenditure since the actual expenditure of Kshs.2,424,731,307 is below the final expenditure budget of Kshs.2,441,108,225.

Committee Observation

592. The matter is resolved. A verified new fee structure in support of the revenue surplus was provided.

10.1.10 Long Outstanding Debtors.

593. The statement of financial position reflects receivables from exchange transactions amount of Kshs.250,082,912 which includes student debtors' amount of Kshs.234,564,771 as disclosed in Note 23(a) to the financial statements. However, the following observations were made:

i. Out of the student's debtors balance of Kshs.234,564,771, an amount of Kshs.183,162,464 has been outstanding for a period of over 4 years and its

recoverability is doubtful. The Management has however not provided measures taken to recover the funds from concerned students.

ii. Further, included in receivables from other transactions is staff imprest amounting to Kshs.6,105,152. Included in this balance are imprest totalling Kshs.4,492,107 detailed in the table below which has been outstanding for a period of over four (4) years and the management has not explained the measures that have been taken to have them recovered.

iii. Ageing analysis for general debtors amounting to Kshs.3,888,422 was not provided for audit review and therefore how long they have been outstanding could not be confirmed.

594. In the circumstance the recoverability of receivables from exchange transactions is in doubt and operations of the university may not run effectively.

Management Response

595. The long outstanding debtors are mainly due to students who, for reasons such as death, deferment, disciplinary, or abscondment, suspend their studies and have not resumed. In an effort to recover the long outstanding receivables, the council discussed the issue and recommended that the Vice Chancellor appoint a committee on the resolution of long outstanding debtors, which was done on 13th January 2025. The draft report has been prepared and presented to the University Management for consideration and will be considered by the council in April 2025.

Committee Observation

596. Management has provided a report dated February 2025 on long outstanding debtors and recommended measures to be taken to recover the long outstanding receivables from students; no document has, however, been provided to show that the measures have been implemented or are being implemented.

Committee Recommendations

597. Management should ensure that a strong and efficient debt collection, recovery and accounting system is put in place to control any possible long outstanding debts and ensure

compliance with Regulation 83 (2) (g) of the Public Finance Management(National Government) Regulations, 2015 which provides for sound cash management systems, including pursuing debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the government are collected and banked promptly.

10.1.11 Trade Payables from Exchange Transactions

598. The statement of financial position reflects under liabilities, trade payables from exchange transactions amounting to Kshs.100,633,483 as disclosed in Note 28(a) to the financial statements.

599. An ageing analysis of the payables revealed that amounts totalling to Kshs.58,041,251 have been pending for over 90 days with the bulk of payables being medical bills owed to health services providers amounting to Kshs.33,369,628.

600. In the circumstance the University may be unable to render normal service to stakeholders due to lack of regular supplies by contracted firms.

Management Response

601. The medical bills owed to health services providers amounting to Kshs.33,369,628 were still under internal audit verification with some completed and paid as per the attached payment schedules.

602. We have so far 12,000,000 which were cleared for payment leaving us with a balance of Kshs.21,369.628 which the University is in the process of finalising the payments once verification is complete. We have attached a statement showing the movement in this account.

Committee Observation

603. A total of Kshs. 12 million has been paid, while Kshs. 21 million is still outstanding. A draft debt management policy is in place, but has not been implemented. A list of paid medical bills/movement schedule was not provided.

Committee Recommendations

604. Management should provide a detailed movement schedule showing the amounts paid to date. Also, the Management should put in place measures to ensure only authentic payables

are paid on time and ensure adherence to Regulation 139 of the Public Procurement and Asset Disposal Regulations, 2020, contract management.

10.2Audited Statements for Financial Year 2022/2023 (Qualified Opinion)

10.2.1 Transfer from other Government Entities

605. Annex III to the financial statements discloses an amount of Kshs.1,985,997,468 as having been received from the state department for higher education and research. However, financial statements for the state department discloses an amount of Kshs 1,993,212,793, resulting to unexplained and unreconciled variance of Kshs 7,215,325.

606. In the circumstances, the accuracy and completeness of Kshs 1,985,997,468 received from the state department for higher education and research could not be confirmed.

Management Response

607. The variance of Ksh.7,215,325 had not been received on our bank statement at the close of the Financial Year as at 30th June 2023. The same was received and recognized in the following financial year on 4th July 2023 which was reported in the 2023/2024 financial year as per the provided bank statement and acknowledged vide receipt No 557671. and a cash book ledger dated 4th July 2024.

Committee Observation

608. The matter is resolved. A verified extract of FY 2023/2024 on inter-entity transfers and acknowledgment receipt no 557671 (Dated 4th July 2023) was provided. The balances were also included and audited in the financial statement for FY 2023/2024.

10.2.2 Work in Progress

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

10.2.3 Unsupported Other Payables from Students Transactions

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

10.2.4 Long Outstanding Receivables from Exchange Transactions

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

10.2.5 Prior Year Adjustments

612. The statement of changes in net assets Kshs.6,311,375 which related to students' union money wrongly recognized as student fees. However, management did not explain how the error was corrected.

613. In the circumstances, the accuracy, completeness of prior years' adjustments of KShs 6,311,375 could not be confirmed

Management Response

614. These were students' adjustments for invoices in past closed periods. Reconciliation was done and corrective journals posted

Committee Observation

615. The matter is resolved. The approved journals adjusting the error made on 30 June 2023 were provided.

Budgetary Control and Performance

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

10.2.6 Unresolved Prior Year Audit Matters

617. In the audit report of the previous year, several issues were raised under Report on the Financial Statements, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved as at 30 June 2023, as the relevant oversight committee had not discussed them.

Management Response

618. Presented to the audit committee of the council and Parliamentary Investment Committee awaiting their recommendations for implementation.

Committee Observation

619. Prior year audit matters have been addressed by the committee

10.2.7 Lack of Diversity of the people of Kenya in Staff Establishment

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

10.2.8 Staff in Acting Position Beyond Stipulated Period

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

10.2.9 Unregistered Collective Bargaining Agreements

622. The statement of financial performance reflects staff remuneration costs of Kshs 1,814,027,705, as disclosed in Note 10(a)to the financial statements. Examination of the records provided revealed that the management had entered into collective bargaining agreements (CBA's) with three staff unions. However, evidence provided revealed that only one of the three CBAs had been registered by the employment & labour relations court as required under section 60(1) of the Labour Relation Act, Cap. 223 which states that every collective agreement shall be submitted to the employment and labour relations court for registration within fourteen days of its conclusion.

623. In the circumstances, the Management of the University was in breach of the law.

Management Response

624. The University finalized and registered CBAs as per attached Certificates of Registration of CBA - (a) No. 167 of 2014, (b) Certificate of Registration No. E065 of 2023 KUDHEIHA CBA (c) No. 20 of 2015 for KUSU and No. 18 of 2015 for UASU.

Committee Observation

625. The matter is resolved. Registration certificates for the three CBAs were provided

10.2.10 Delayed Completion of Construction Work

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

10.2.11Lack of Medical Policy

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

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

10.3Audited Statements for Financial Year 2023/2024 (Qualified Opinion)

10.3.1 Receivables from Exchange Transactions

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

10.3.2 Other Payables from Student Transactions

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

10.3.3 Unresolved Prior Year Audit Matters

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

10.3.4 Non-Compliance with 35% Allowable Wage Bill

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

10.3.5 Prolonged Staff in Acting Positions

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

10.3.6 Ethnicity and Regional Balance in Staffing

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

10.3.7 Delayed Project Completion - Amphitheatre Block

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

11.0 OL'LESSOS TECHNICAL TRAINING INSTITUTE

636. Mr. Wesly Yegon. The principal, accompanied by: -

i. CPA. Chelimo -Finance Officer
ii. CPA Nicholas Seurey- Internal Auditor
iii. Ms. Naomi Tarus- Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Ol'lessos, Technical Training Institute, on 2nd October 2024.

11.1 Audited Statements for Financial Year 2018/2019- (Disclaimer of Opinion)

11.1.1 Presentation of the Financial Statements

637. The Institute's financial statements for the year ended 36 June, 2019 provided for a reflects the following presentation anomalies contrary to the format prescribed by Public Sector Accounting Standard Board (PSASB).

i. The numbering of the financial statements is not consistent. Some page numbers are missing while others are appearing at the centre of the page,

ii. The pages in the table contents are not aligned to the respective pages in the financial statements.

iii. Financial statement components including general expenses, finance costs, gain on sale of assets and gain on foreign exchange transactions in the statement financial performance and inventories, investments. Property, plant and equipment, intangible assets and investment property, among others in the statement of financial position were not aligned to the respective notes.

iv. The statement of changes in net assets is blank.

v. The financial statement for the year 2018/2019 does not also disclose the depreciation method used by the Institution.

638. Consequently, the financial statements are not presented in accordance with International Public Sector Accounting Standards (Accrual Basis) as prescribed by PSASB

Management Response

639. We acknowledge the anomaly. However, note 1.1 to 1.4 has since been aligned and the queries raised are addressed by the financial statements of the following year 2019-2020 where the auditor did not point on the same anomalies.

640. Currently, the institute's policy manual on finance and administration is in compliance with IPSAS 17 on the method of depreciation used, as provided for confirmation. On note 1.5, the institute had not developed its policies that could explain the mode of depreciation used. However, straight-line depreciation was generally used.

Committee Observation

641. The matter is resolved. More accurate financial statements with minimal errors were prepared subsequently.

11.1.2 Inaccuracies In the Financial Statements- Variances between Amounts in Financial Statements and Supporting Schedules

642. The statement of financial performance for the year ended 30 June, 2019 and statement of financial position as at 30 June. 2019 reflects various balances which are at variance with supporting schedules.

643. Consequently, the accuracy and completeness of the financial statement figures for the year ended 30 June, 2019 could not be confirmed.

Management Response

644. We acknowledge the understatement and overstatement occasioned by the variances. However, the figures were system generated and we would like to report that the system that the institution relied upon did not give accurate figures from the ledgers to the final figure in the financial statements.

645. The anomaly has since been addressed in the subsequent year's financial statement. This can be confirmed from statements of the FY 2019-2020, which had no variances reported by the auditors.

Committee Observation

646. The matter is resolved. The issue persisted in the financial year 2019-2020, but was subsequently addressed in the financial year 2021-2022 by the management.

11.1.3 Transfer from the National Government

647. As disclosed In Note 6 to the financial statements, the statement of financial performance for the year ended 30 June, 2019 reflects transfer from the national government grants/gifts in-kind balance of Kahs. 69,925,000. However, supporting integrated Financial Management Information System (IFMIS) report from the Ministry of Education reflects Kshs.133,850,000, resulting in | an unexplained or unreconciled variance of Kehs.63,826,000.

648. In the circumstances, the accuracy and propriety of the revenue from non-exchange transaction balance of Kshs.69,928,000 for the year ending 30 June, 2019 could not be confirmed.

Management Response

649. Variance noted. The total capitation amounting to Kshs.69,925,000 had been received in the institutions account as at close of 30th June 2019. However, the rest amount totaling to Kshs. 63,925,000 were received after the financial statements had been closed. We have since corrected the anomaly in the subsequent financial statements. Disbursement letters are provided to confirm and support time the funds were received

Committee Observation

650. The matter is resolved. The issue did not recur in the subsequent financial statements.

11.1.4 Misclassification of Capital Expenses

651. As disclosed in Note 19 to the financial statements, the statement of financial performance for the year ended 30 June, 2019 reflects repairs and maintenance balance of Kehs.6,440,735 which included an amount of Kshs.685,000 for the purchase of lecture chairs. However, the Kshs.685,000 was expensed instead of being capitalized.

652. In addition, as disclosed in Note 22 to the financial statements, the statement of financial performance reflects general expenses figure of Kshs.135.045.077 which includes an expenditure relating to acquisition of capital items of Kehs.5,924,500 which should have been capitalized.

653. Consequently, the accuracy and completeness of the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

Management Response

654. We acknowledge the discrepancy. However, the valuation of assets done in the year 2022 as provided for confirmation, has since cleared the anomaly since the omission of the lecture chairs is captured in the asset register provided.

Committee Observation

655. The matter is addressed. The assets procured were directly expensed instead of being capitalized, leading to erroneous reporting on expenses and value of property, plant and Equipment. Currently, there is no direct expensing of assets purchased and the assets are capitalized as required.

11.1.5 Non-disclosure of Board Expenses

656. As disclosed in Note 17 to the financial statements, the statement of financial performance does not reflect any balance on Board expenses. However, documents provided for audit revealed Kshs 140,000 on Board expenses which was charged to contingencies expenses.

657. Consequently, the accuracy and validity of the Institute's Board expenses end contingencies expenses for the year ended 30 June, 2019 could not be confirmed.

Management Response

658. We have noted the disclosure under note 17. However, the board expense has since been treated correctly in the subsequent financial statements of FY 2019-2020. It should also be noted that the amount affected the respective ledger accounts but had no material effect on the state

Committee Observation

659. The matter is resolved. Currently, the board expenses are disclosed separately in the financial statements.

11.1.6 Misclassification of Employee Cost

660. As disclosed In Note 16 to the financial statements, the statement of financial performance reflects Kshs 28, 112,948 on employee cost which includes Kshs 6,409,046 in respect of travel, motor car, accommodation, subsistence and other allowances costs which should have been reported under use of goods.

661. Consequently, the accuracy and completeness of the statement of financial performance for the year ended 30 June, 2019 could not be confined.

Management Response

662. We acknowledge the understatement of the employee expense account and the overstatement of the tuition expense account. We have since corrected the anomaly as shown by financial performance for the FY 2019-2020 where the auditors did not bring up the same query

Committee Observation

663. The matter is resolved. Employee costs and use of goods and services are currently correctly classified.

11.1.7 Misclassification of Personnel Emoluments Expenses

664. As disclosed in Note 22 to the financial statements, the statement of financial performance reflects KShs.135,045,076.59, which includes Kshs. 60,028,391 on tuition expense, which

further includes Kshs. 16,571,738 relating to payment of staff salaries and which should have been charged to employee costs.

665. Consequently, the accuracy and completeness of the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

Management Response

666. We can confirm that we have since corrected the misclassification on personnel and treated it correctly as required

Committee Observation

667. The matter is resolved. Personnel expenses were not well classified, but in the subsequent periods, they were well classified.

11.1.8 Unsupported Revenue from Exchange Transactions

668. As disclosed in Note 10 to the financial statements, the statement of financial performance reflects rendering of services - Fees from student's balance of Kehs.93,218,883. However, documents provided for audit revealed Kshs.89,099,047 resulting to an unexplained variance of Kshs.4,119,836.

669. Consequently, the accuracy and validity of the rendering of service-fees from student's figure of Kshs.93,218.883 for the year ended 30 June, 2019 could not be confirmed.

Management Response

670. We have since reconciled the variance by doing an aging analysis for student debtors, financial year 2018/2019, as provided.

Committee Observation

671. The matter is resolved. Currently, an ageing analysis of debtors is being done.

11.1.9 Statement of Financial Position

672. The statement of financial position reflects total assets figure of Kshs.486,472,590 and total liabilities of Kshs.6,754,364 which results in a net assets figure of Kshs 479,718,226 and not Kshs.183.910,684 as indicated in the financial statements.

673. Consequently, the accuracy and completeness of the statement of financial position as at 30 June, 2019 could not be confirmed.

Management Response

674. We acknowledge the anomaly; subsequent financial statements provided confirm correct amounts as assets and liabilities.

Committee Observation

675. The matter is resolved. The financial statements were corrected subsequently.

11.1.10 Statement of Cash Flows

676. The statement of cash flow for the year ended 30 June, 2019 reflects nil opening cash and cash equivalents as at 01 July, 2018. However, the 2017/2018 financial statement indicate a closing cash and cash equivalents figure of Kshs 23,114 442 The resultant variance of Kaha 23,114 442 has not been reconciled or explained.

677. Consequently, the accuracy, validity and completeness the cash flows statement for the year ended 30 June, 2019 could not be confirmed.

Management Response

678. Variance on the statement of cash flow noted. However, reconciliation of cash and cash equivalent of 2017/18 as provided by the certificates of bank balance provided. The same balance is the opening balance of 2018-2019 financial year.

Committee Observation

The matter is resolved. Currently, the figure is correctly disclosed.

11.1.11 Use of Goods and Services

679. As disclosed in Note 16 to the financial statements, the statement of financial performance for the year ended 30 June, 2019 reflects use of goods and services amounting to Kshs. 5,924,112. However, recasting of Note 16 resulted to Kshs.7,100,679 resulting in a variance of Kshs.1,176,567, which has not been explained or reconciled.

680. Further, included in the Kshs.6,924,112 Is electricity expenses amount of Kshs.4,115,739. However, documents provided for audit revealed Kshs.6,464,607 on electricity expenses resulting to an unexplained variance of Kshs. 1,348,868.

681. Consequently, the accuracy and propriety of the use of goods and service figure of Kshs.5,924,112 for the year ended 30 June, 2019 could not be confirmed.

Management Response

682. Variance under Note 15 noted. However, we can confirm by providing supporting schedules that the correct electricity expense, as per supporting documents in our possession, was Kshs 5,464,607.

Committee Observation

683. The matter is resolved. Currently, management reports the correct balances.

11.1.12 Unsupported Expenditure

684. The statement of financial performance for the year ended 30 June, 2019 reflects use of goods and services figure of Kshs.5,924,112 which include professional service expenses of Kshs.540,840 and Kshs.200,000 subscription expenses all totalling Kshs.740,940. However, expenditure documents/payment vouchers in support of the expenditure were not provided for audit.

685. Consequently, the accuracy and propriety of the expenditure of Kshs.740,940 for the year ended 30 June, 2019 could not be confirmed.

Management Response

686. Noted. However, vouchers supporting professional services of Kshs 540,940 and subscription fee of Kshs 200,000 are available for confirmation.

Committee Observation

687. Management had not provided the documentation by the time they appeared before the committee.

Committee Recommendations

688. Management must always comply with Section 104 (1) of Public Finance Management (National Government) Regulations, 2015, which states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

11.1.13 Unsupported Refundable Deposit-Caution Money

689. As disclosed In Note 36 to the financial statements, the statement of financial position as at 30 June, 2019 reflects refundable deposits from customer's balance of Kshs 2,329,364 which includes caution money balance of Kshs.1,003,300. However, a schedule provided for audit in support of the balances did not Indicate each individual student's name and the respective amount as at 30 June, 2019.

690. Consequently, the accuracy and validity of the refundable deposits to customers/students of Kshs.1,003,300 as at 30 June, 2019 cannot be confirmed.

Management Response

691. We acknowledge the failure to provide detailed list. However, we have availed the list on caution money for confirmation

Committee Observation

692. The Schedule supporting figure was not provided to the committee.

Committee Recommendations

693. Management must always comply with IPSAS1, which guides the preparation of financial statements in accordance with the PSASB Reporting template.

11.1.14 Depreciation Expenses

694. The statement of financial performance for the year ended 30 June, 2019 reflects a nil balance in respect to depreciation and amortization expenses. However, a review of the documents provided for audit, including the depreciation expenses schedule for the year reflects a figure of Kshs 6,349,132.

695. Consequently, the accuracy and validity of the depreciation expenses for the year ended 30 June, 2019 could not be confirmed.

Management Response

696. We acknowledge the anomaly. However, we could not ascertain the rate of depreciation as at 2018/2019 financial year since the institute had no policy to guide on the method and the rates of depreciation that was in use. We have since sorted out the anomaly by having a policy on depreciation and our assets have since been revalued.

Committee Observation

697. The matter is resolved as guided by IPSAS 33 on the first-time adoption of IPSAS.

11.1.15 Cash and Cash Equivalents - Imprest

698. As disclosed in Note 27 to the financial statements, the statement of financial position reflects cash and cash equivalents figure of Kshs.63,880,214 which Includes Kshs.2,851,205 In respect to staff imprest treated as cash and cash equivalents instead of staff debtors under accounts receivable. Further, the imprest schedule provided for audit did not provide adequate disclosure as to when the Imprests were issued, the purposes, warrant number and the expected date of surrender.

699. Consequently, the accuracy of the cash and cash equivalents of Kshs.63,880,214 as at 30 June, 2019 could not be confirmed.

Management Response

700. We acknowledge the wrong treatment of imprest. The records in our system does not have pending imprest of 2018/2019 financial year as shown by our current imprest records provided, meaning that the imprest were surrendered.

Committee Observation

701. The matter is resolved. The imprests were accounted for.

11.1.16 Understatement of Cash and Cash Equivalents

702. As disclosed in Note 27 to the financial statements, the statement of financial position reflects cash and cash equivalents figure of Kshs.63,880,214 which is at variance with the cash book figure of Kshs.108,121,931 resulting in an unreconciled variance of Kshs.41,241,717. Further, the cash and cash equivalents as disclosed in Note 27 to the financial statement did not disclose bank account name, number and the balance held in each account as per the cash book. In addition, details of other cash equivalents such as cheques and money orders could not be confirmed as no board of survey was conducted at the close of the financial year.

703. Under the circumstances, the accuracy and completeness of the cash and cash equivalents figure of Kshs.63,880,214 as at 30 June 2019 could not be confirmed.

Management Response

704. We acknowledge the unreconciled variance of Kshs 41, 241,717. However, the amount of Kshs 105,121,931 being the cashbook balance, was generated from the ABN system which was in use.

Committee Observation

705. The matter is resolved.

11.1.17 Bank Reconciliation Statements

706. The statement of financial position reflects cash and cash equivalents figure of Kshs.63,880,214. A review of the cash and bank records revealed that no monthly bank reconciliation statements were prepared for eleven (11) out of 14 (fourteen) bank accounts maintained by the Institution.

707. Consequently, the accuracy, validity and completeness of the cash and cash equivalents figure of Kshs.63,880,214 as at 30 June, 2019 cannot be confirmed.

Management Response

708. We have provided the bank reconciliation backdated to FY 2018-2019.

Committee Observation

709. Management has not provided all the bank reconciliation statements with cash book balances, bank statement and certificates of balances.

Committee Recommendations

710. Management to carry out the remaining reconciliation and the Office of the Auditor General to report on the same in the subsequent financial year.

11.1.18 Receivables from Exchange Transactions

711. The statement of financial position reflects receivables from exchange transactions figure of Kshs.123,359,834. However, the aging analysis and the Institutes policy on long outstanding debts was not provided for audit review.

712. Consequently, the accuracy, validity completeness and propriety of the receivables from exchange transaction figure of Kshs.123,359,834 as at 30 June, 2019 cannot be confirmed.

Management Response

Committee Observation

713. The matter is resolved. The financial statements were, however, revised after the audit certificate had been issued.

11.1.19 Property, Plant and Equipment 8.1 Assets Movement Schedule

714. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.213,154,392 whereas the Note 32 to the financial statement reflects nil balances resulting to an unexplained variance of Kshs.213, 164,392. In addition, a schedule of assets provided for audit review revealed a net book value of Kshs.132,903,409 resulting into unexplained or unreconciled variance Keshs.80,250,983.

715. Consequently, the propriety, validity and accuracy of the property, plant and equipment figure of Kehs.213,184,392 as at 30 June, 2019 could not be confirmed.

Management Response

716. We have provided updated asset register where valuation of assets were done in 2022.

Committee Observation

717. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.20 Buildings

718. Note 4(e)(8) to the financial statement and assets movement schedule provided for audit reflects Kshs 102,841,790 on cost of buildings. However, the Kshs.102,841,790 did not include an administration block, two automotive workshop blocks, a building and civil engineering block, two hostel blocks, six staff quarters blocks, kitchen and dining hall and a dairy unit all of unknown value. in addition, the buildings were not branded/tagged thus making It difficult for identification and differentiation.

719. Further, the Fixed asset register for the buildings was not provided for audit. Consequently, the accuracy and validity of Kshs.102,841,790 on cost of buildings as at 30 June, 2019 could not be confirmed.

Management Response

720. We have provided an updated asset register

Committee Observation

721. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.21 Motor Vehicles

722. A movement schedule provided in support of motor vehicle figures indicated a cost value of Kshs.7,557,760 whereas an asset register provided for audit indicated that the Institution owned ten (10) motor vehicles out of which six (6) had a cost value of Kshs.12,883, 160.00 and the remaining four (4) had no cost values. Further, four (4) motor vehicles had their log books not registered in the name of the institution and one logbook was not provided.

723. In the circumstances, the value, ownership and existence of the Institute's motor vehicles could not be confirmed.

Management Response

724. We have provided updated asset register where valuation of assets was done in 2022.

Committee Observation

725. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.22 Work-In-Progress (WIP)

726. The statement of financial position reflects property, plant and equipment figure of Kshs.213,154,392. According to documents provided for audit, the Kshs.213,154,392 includes Work-In-Progress (WIP) figure of Kshs.23,855,010 in respect to construction of hospitality center. However, Note 32 to the financial statement reflects a nil balance. A physical verification of the project in the month of August, 2020 revealed that the mechanical and electrical works with provisional values of Kshs 1,500,000 and Kshs.2,000,000 respectively in the bills of quantity had not been completed.

727. Consequently, the propriety, validity and accuracy of the Work-In-Progress figure of Kshs 23,855,010 as at 30 June, 2019 could not be confirmed.

Management Response

728. We have provided updated asset register

Committee Observation

729. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.23 Additions-Furniture and Fittings

730. Included in property, plant and equipment balance of Kehe.213,164,302 In the statement of financial position the furniture and fittings opening balance figure of Kshs.6,652,900. However, a detailed analysis of the figure was not provided audit. Further, payments made during the year revealed that the Institute acquired lecturers' chairs, classroom chairs and double-decker beds totalling Kshs.6,616,000, which were not included in the additions for the year.

731. Consequently, the propriety, validity and accuracy of the property. plant and equipment figure of Kehs.213,154,302 as at 30 June, 2019 could not be confirmed.

Management Response

732. We have provided updated asset register where valuation of assets was done in 2022.

Committee Observation

733. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.24 Computers

734. Included In the property, plant and equipment balance of Kshs.213,154,392 were computers whose cost value was given as Kshs.3,900,000. However, a detailed breakdown indicating the make, serial number, location and the cost of each computer were not provided audit.

735. Consequently, the propriety, validity and accuracy of the computers figure of Kshs.3,900,000 as at 30 June, 2019 could not be confirmed.

Management Response

736. We have provided updated asset register where valuation of assets was done in 2022.

Committee Observation

737. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.25 Additions - Plant and Equipment

738. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.213,154,392 which does not include plant and equipment acquired with a cost value of Kshs.4,797,377.

739. Consequently, the propriety, validity and accuracy of the property, plant and equipment figure of Kshs.213, 154,392 as at 30 June, 2019 could not be confirmed.

Management Response

740. We have provided updated asset register where valuation of assets was done in 2022.

Committee Observation

741. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.26 Land

742. The statement of financial position reflects property, plant and equipment balance of Kshs.213,154,392 which includes land figure of Kshs.18,400,000. However, ownership documents such as title deed were not provided for audit. Further, an audit review revealed that the Institute land measures 14.98 Hectares or 37 acres which translates into a value of Kshs.497,297 per acre. However, valuation report was provided to support the value.

743. Consequently, the ownership and value of the Institute's land figure of Kshs.18,400,000 as at 30 June, 2019 could not be confirmed.

Management Response

744. We have provided updated asset register where valuation of assets was done in 2022.

Committee Observation

745. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.27 Revaluation of Assets

746. An audit review of the Institute's assets revealed that no valuation has been conducted since its inception in 1987. Further, no policy has been put in place regarding revaluation of assets by the Institution contrary to International Public Sector Accounting Standards (IPSAS) 17 Section 44 which states that after recognition as an asset, an item of property, plant, and equipment whose fair value can be measured reliably shall be carried at a valued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment loses.

747. In the circumstance, the value of the Institute's assets of Kehs.213, 154,392 In the financial statement as at 30 June, 2019 could not be confirmed.

Management Response

748. We have provided an updated asset register where the valuation of assets was done in 2022.

Committee Observation

749. The matter is resolved. As guided by IPSAS 33 on first-time adoption of IPSAS, it gives a three-year period after which the valuation of assets should be done and the correct values presented in the PPE movement schedule.

11.1.28 Unsupported Inventories

750. The statement of financial position reflects inventories amount of Kshs.3,153,150 as at 30 June, 2019 which Ie at variance with Kshs.2,371,650 Indicated in Note 30 of the financial statements resulting in an unexplained variance of Kshs.781,500 which has not been reconciled or explained. Further, stock sheets and stock take reports were not provided for audit.

751. Consequently, the accuracy and validity of the Inventories balance in the financial statements as at 30 June, 2019 could not be confirmed.

Management Response

752. We acknowledge the anomaly. However, stock balances provided had factored in the shortfall in stock of Kshs. 781,500 in the preceding financial year provided and was not an audit query FY 2019/2020.

Committee Observation

753. The matter is resolved. Reconciliation was done in the subsequent financial year.

11.1.29 Trade and Other Payables from Exchange Transactions

754. The statement of financial position reflects trade and other payables from exchange transactions figure of Kshs.4,425,000 which is at variance with Kshs.7,140,495 indicated In Note 35 to the financial statements resulting to an unexplained variance of Kshs.2,715,495. Further, the aging analysis and the Institute's policy on long outstanding creditors was not provided for audit review.

755. Consequently, the accuracy and propriety of trade and other payables from exchange transaction figure of Kshs.4,425,000 as at 30 June, 2019 cannot be confirmed.

Management Response

756. We acknowledge the variance. However aging analysis could not be provided since there was no pending bills exceeding one month. Total pending bills for one are provided for verification. The variance amount was reconciled and correct amount of trade payables was provided for confirmation.

Committee Observation

757. The matter was addressed in the subsequent financial year.

11.1.30 Ethnic Composition of Staff

758. An evaluation of the staff establishment for the financial year 2018/2019 revealed that approximately 94% of the Institute's staff were from one ethnic community contrary to

Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which states that (1) "all public establishment shall seek to represent the diversity of the people of Kenya in the employment of staff. (2) No Public establishment shall have more than one third of its staff from the same ethnic community". Further, Article 232(1)(h) of the Constitution of Kenya 2010 stipulates that the values and principles of public service among others include representation of Kenya's diverse communities.

759. Consequently, the Management of the Institute breached the law.

Management Response

760. The institute is on a positive trajectory as much as the National Cohesion and Integration Act is concerned.

Committee Observation

761. No documents were provided to support the commitment of the management.

Committee Recommendations

762. The institution must make deliberate efforts to ensure adherence to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.

11.1.31 Engagement of Casual Employees

763. An audit of the employee costs for the financial year ended 30 June, 2019 revealed that the Institute engaged casual laborers in various departments A total of eight (8) casual's employees were hired for a period of twelve (12) continuous months from July, 2018 to June, 2019 which is contrary to Section 37(1) of the Employment Act, Cap. 226 which provides for the conversion of causal employment to term contract.

764. Consequently, the Management of the Institute breached the law.

Management Response

765. The terms of the board members had expired and there were no meetings to deliberate and approve the casual laborers as required. However, the anomaly has been corrected through the board minutes provided.

Committee Observation

766. The matter is resolved. The Board minutes discussing a proposed hire and letters for the same were provided.

11.1.32 Officer in Acting Capacity

767. An audit of the payroll revealed that one officer has been in an acting capacity for over a year without confirmation or advertisement of vacancies contrary to Section 7.6.2 of the institute's Human Resource Policy Manual which states that acting appointments will be made for a minimum period of thirty (30) days and maximum period of six (6) months.

768. Consequently, the Management breached the law.

Management Response

769. The terms of the board members had expired and there were no meetings to deliberate and approve the casual laborers as required. However, the anomaly has been corrected through the board minutes provided and the staff appointment letter.

Committee Observation

770. The matter is resolved. A confirmation of the appointment was provided.

11.1.33 Failure to Observe a Third Rule on Basic Salary

771. A review of the payroll for the month of June, 2019 revealed that sixteen (16) employees of the institute earned net salaries less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act,Cap.226 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

772. Consequently, the Management breached the law

Management Response

773. We have attached the current employee loan status confirmation in compliance with the third rule on basic pay

Committee Observation

774. The matter is resolved. Management is currently in compliance,

11.1.34 Duplicate Identification Number

775. An analysis of the payroll for the year ended 30 June, 2019 revealed that four staff members had duplicate identification numbers. No explanation was provided for the anomaly.

776. Consequently, the effectiveness of the internal control on the Institute's payroll could not be ascertained.

Management Response

777. We have provided our details from the human resources department to confirm the correction of the duplication.

Committee Observation

778. The matter is resolved. The necessary corrections were made.

11.1.35 Budgetary Control and Performance

779. The statement of comparison of budget and actual amounts for the year ended 2019 reflects an Income budget of Kshs.113,588,600 against an actual performance of Kshs.180,442,256 thereby leading to an income surplus of Kshs.66,853,656 and not Kshs.5,154,871 as indicated in the statement of comparison of budget and actual amounts. Also, the statement reflects an expenditure final budget of Kshs.133,702,557 against an actual expenditure of Kshs.176,522,872 leading to an over expenditure of Kshs.42,820,315 which is not reflected in the statement. In addition, the approved budget provided indicates total income budget amounted of Kshs.164,542,200 which is at variance with the Kshs.113,588,600 resulting to an unexplained variance of Kshs.50,953,600.

Management Response

780. We have since carried out detailed budgetary estimates and narrowed the variance amount reported in the subsequent financial years as provided against the variance reported.

Committee Observation

781. The matter was resolved subsequently. Currently, the Statement of Budget and actual amounts is well prepared.

11.1.36 Board of Governors

782. Documents provided for audit revealed that the oversight and the running of the institution is done by a five-member board, including the Chief Principal and Ministry representative. It was further established that all the current Board members were appointed on 02 November, 2016 and the term expired on 02 September 2019. Consequently, the effectiveness of the Institute's governance could not be ascertained.

Management Response

783. We have since addressed the anomaly and the list of the date of appointments and the expiry has been provided which is staggered as required

Committee Observation

784. The matter is resolved. Management provided a list of current BOG. One member was appointed on 3rd June 2022 and eight others in the months of April, May and July 2023.

11.1.37 Lack of Independent Internal Audit Function

785. An audit review of Internal audit function revealed that the Institute does not have an internal auditor in place during the year ended 30 June, 2019 which would be responsible for reviewing the governance mechanisms of entity, conducting risk — based, value for money and systems audits. verifying the existence of assets administered by the Institute and ensuring that there are proper safeguards for their protection, providing assurance that appropriate institutional policies and procedures and good business practices are followed by Institute and evaluating the adequacy and reliability of Information available to management for making decisions with regard to the institute and its operations contrary to Section 73 of the Public Finance Management Act, Cap.412A.

786. Consequently, the Management of the institute breached the law.

Management Response

787. The internal auditor has since been appointed as confirmed by board minutes provided

Committee Observation

788. The matter is resolved**.** Management has since appointed an Internal Auditor.

11.1.38 Failure to Establish an Audit Committee

789. The institute has not established an audit committee contrary to Regulation 174 and 175 of the Public Finance Management (National Governments) Regulations, 2015 which requires National Government entity to establish Audit Committees In accordance with prescribed regulations to monitor the entity governance process, accountability processes and control

systems, offer objective advice on issues concerning risk, control, regulatory requirements and governance of the entity. Consequently, the Management of the Institute breached the law.

Management Response

790. The Institute Audit Committee has since been constituted as shown by the appointment letters.

Committee Observation

791. Matter has been addressed. An Audit committee and a sub-committee of the board are in place.

11.2Audited Statements for Financial Year 2019/2020- (Adverse Opinion)

11.2.1 In- Accuracies of the Financial Statements

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

11.2.2 Variances between the Statement of Financial Performance and Statement of Comparison of Budget and Actual Amounts

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

11.2.3 Rendering of Services - Fees from Students

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

11.2.4 Difference between the statements of financial performance and supporting schedules

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

11.2.5 Rendering of Services - Fees from Students

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

11.2.6 Use of Goods and Services

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

11.2.7 Unsupported Expenditure on Skills Development Levies and Training Materials

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

11.2.8 Expenditure Wrongly Charged to Training Expenses

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

11.2.9 Other Expenses

800. Included in the use of goods and services amount of Kshs.206,527,368 reflected in the statement of financial performance are other expenses amounting to Kshs.84,752,057, which have been disclosed separately in the notes to financial statements. Review of documents provided for on other expenses revealed the following anomalies;

11.2.10Unsupported Activity and Sports, and Catering Expenses

801. Payment vouchers for activity and sports expenses amounting to Kshs.2,146,355 were not provided for audit review. Further, the supporting schedule did not reflect the names of the payees. Similarly, payment vouchers in respect of Kshs.5,677,930 incurred on catering expenses were also not provided for audit review, and the supporting schedule did not reflect the names of the payees.

Management Response

802. The payment vouchers for the activity and sports are attached for confirmation.

803. Payment vouchers for catering expenses have been provided for confirmation

Committee Observation

804. The matter is resolved. The Original Payment vouchers were provided and verified by the Office of the Auditor General.

11.2.11Unrelated Expenditure on Operational Grants

805. The other expenses amounting to Kshs.84,752,057 includes Kshs.4,201,401 incurred on the construction of two-storey twin workshop classrooms and offices at Kiptaragon Technical Training Institute in Kuresoi South, Nakuru County, an Institute being mentored by Ol'Lessos Technical Training Institute. However, the expenditure was capital in nature and was not related to the Institute and is not properly charged.

Management Response

806. Kiptaragon Technical Institute was our mentor institution; therefore, the grants were related to us. Therefore, there was a need to disclose the grants.

Committee Observation

807. The matter is resolved. The corrections were made in the subsequent financial year.

11.2.12Purchase of Motor Vehicles

808. The other expenses include Kshs.16,510,000 incurred on the purchase of two motor vehicles. However, the expenditure was capital in nature and therefore, not properly charged to other expenses. Further, procurement records such as tender advertisement, tender evaluation, award tender acceptance and inspection and acceptance reports were not provided for audit review.

Management Response

809. Valuation done as shown in the asset register factored in the motor vehicle that was purchased. However, procurement process was followed as confirmed from the documents provided

Committee Observation

810. The matter is resolved. The corrections were made in the subsequent financial year.

11.2.13 Unaccounted for Performance Contract Expenses

811. The other expenses amount includes performance contract expenses amounting to Kshs.1,528,104. However, payment vouchers relating to performance contract expenses were not provided for audit review. Further, the amount includes performance contract expenses amounting to Kshs.1,392,153.40 in respect of salaries to non-teaching staff for the month of May, 2020 paid on 28 May, 2020, which was incorrectly charged to performance contract account. Under the circumstances, the accuracy and completeness other expenses of Kshs.84,752,057 could not be confirmed.

Management Response

812. We have attached payment vouchers for verification and confirmation.

Committee Observation

813. The matter is resolved. The original payment vouchers were provided and verified by the Office of the Auditor General.

11.2.14 Cash and Cash Equivalents- Undisclosed Bank Accounts

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

11.2.15 Board of Survey Report

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

11.2.16 Undisclosed Outstanding Imprests

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

11.2.17 Unreconciled Cash and Cash Equivalents

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

11.2.18 Receivables from Exchange Transactions

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

11.2.19 Consumable Stores

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

11.2.20 Property, Plant and Equipment

11.2.20.1 Land and Buildings

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

11.2.20.2 Motor Vehicles

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

11.2.21Trade and Other Payables from Exchange Transactions

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

11.2.22Unsupported Remuneration of Directors

823. The statement of financial performance for the year ended 30 June, 2020 reflects remuneration of directors amounting to Kshs.3,297,650. However, invitation letters for meetings, attendance register, Board meeting minutes and schedule of board meetings were

not provided for audit review. Further, appointment letters for four (4) Members of Board of Governors were not provided for audit review. Further, approved rates of board allowances and payment vouchers in support of Kshs.426,150 expenditure on remuneration of directors were not provided. Under the circumstances, the accuracy of remuneration of Board expenditure Kshs.3,297,650 could not be confirmed.

Management Response

824. Observation noted. We have provided the appointment letters of the said board members.

Committee Observation

825. The matter is resolved. Gazette notice on appointment letters and payment vouchers supporting allowances was provided.

11.2.23 Unaccounted for Management and Consultancy Fees

826. Note 19 to the financial statements reflects capital work in progress costing Kshs.29,350,010 as at 30 June, 2020 in respect of a proposed hospitality and management centre. Available information indicates that a contractor was engaged to construct the centre on 12 August, 2015 at a contract price of Kshs.29,350,010, which has since been fully paid.

827. Review of the contract revealed the contract period was for 48 weeks from contract date and a certificate of completion and handing over certificate were issued on 12 April, 2018 and 11 March, 2019 respectively. However, plumbing, and mechanical works of Kshs.1,500,000, electrical works of Kshs.2,000,000 and painting works of Kshs.1,847,500 included in the bills of quantities had not been completed.

828. The Institute has since taken over completion of the works under labour-based terms. However, no records of the works being completed were provided for audit review. Further, the additional work was not included in the capital work in progress balance as at 30 June, 2020. Further, the contractor did not account for project management fees and contingencies amounts of Kshs.500,000 and Kshs.1,500,000 respectively included in the bills of quantities.

829. Under the circumstances, the accuracy and completeness of capital work in progress amounting to Kshs.29,350,010 could not be confirmed.

Management Response

830. Observation well acknowledged. However, we ascertain that certificate of completion was issued.

Committee Observation

831. The matter is resolved. The building is complete and in use.

11.3Audited Statements for Financial Year 2020/2021- (Qualified Opinion)

11.3.1 Unsupported cash and cash equivalents

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

11.3.2 Lack of Ownership Documents and Valuation of Assets

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

11.3.3 Budgetary control and performance

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

11.3.4 Non-compliance with law on Ethnic Composition

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

12.0 OL'LESSOS TECHNICAL TRAINING INSTITUTE

836. Mr. Wesly Yegon, The Principal, accompanied by: -

1. Kipkori Ngasura-Finance Officer
2. Nicholas Seurey- Internal Auditor
3. Emmy Ayesa- Deputy Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Ol'lessos Technical Training Institute, on 3rd July 2025.

12.1Audited Statements for Financial Year 2022/2023- (Qualified Opinion)

12.1.1 Inaccuracies in Receipts from Rendering of Services - Fees from Trainees

837. The Statement of Cash Flows reflects receipts from rendering of services being fees from trainees, amount of Kshs.174,959,140. However, a review of the Institute's Ultimate ERP system revealed the following data relating to trainee receipts:

General Ledger account	**Amount**
CDF bursaries	17,176,898
HELB	75,962,800
NGO	794,302
Direct fees from students (various GL codes)	71,578,736
Total	**165,512,736**

838. In the absence of bank statements showing itemized receipts, the validity of receipts from rendering of services could not be vouched.

839. In the circumstances, the accuracy of receipts from rendering of services could not be confirmed.

Management response

840. The variance was due to an understatement of a HELB loan totaling Kshs. 10,025,200.

Committee Observation

841. The matter is addressed. The response was verified and was satisfactory

12.1.2 Inaccuracies in Receivables from Exchange Transactions

842. The statement of financial position and as disclosed in Note 20(a) to the financial statements reflects receivable from exchange transaction of Kshs.198,057,559 which include receivables from trainees of Kshs.195,257,559. However, the ERP system reflected a balance of Kshs.239,376,098 resulting in unexplainable variance of Kshs.44,1 18,539.

843. Further, a reconciliation of opening, receipts, payments and closing debtor movements was not provided for audit review.

844. In the circumstances, the accuracy and completeness of the Institute's trainees' debtors of Kshs.195,257,559 could not be confirmed.

Management response

845. The ERP system generated errors in receivables. Management has adopted a new system which is effective in making accurate reports

Committee Observation

846. The matter is addressed. The response was verified and was satisfactory.

12.1.3 Unsupported Biological Assets

847. The statement of financial position and as disclosed in Note 25 to the financial statements reflects biological assets valued at Kshs.984,000. However, movement showing the opening balance, additions and disposals as additional notes was not provided for review. Further, the biological assets did not include trees.

848. In the circumstances, the accuracy and completeness of the biological assets of Kshs.984,000 could not be confirmed.

Management response

849. Valuers for biological assets are rare; however, the institute uses existing market prices to value its biological assets.

Committee Observation

850. The matter is addressed. The response was verified and was satisfactory

12.1.4 Inaccuracies in Revenue from Rendering of Services

851. The statement of financial performance and as disclosed in Note 8 to the financial statements reflects revenue from rendering of services of Kshs.191,317,480. However, an examination of systems generated bills by student reflected a balance of Kshs.283,830, 722 resulting to unexplained variance of Kshs. 92,51 3,242. Further, the reported balance of Kshs.191 ,317,480 was not based on itemized invoices per student.

852. In the circumstances, the accuracy of revenue from rendering of services of Kshs.191,317,480 could not be confirmed.

Management response

853. The ERP system generated supporting revenue schedule which had erroneous data. The system has since been replaced to ensure accuracy of data.

Committee Observation

854. The matter is addressed. The Institute's ERP system was inaccurate in the data generated and was queried at the time. Management has changed its system to eliminate data errors.

12.1.5 Unsupported Trade and Other Payables

855. The statement of financial position and as disclosed in Note 26 to the financial statements reflects trade and other payables of Kshs.13,555,969. The balance included an amount of Kshs.2,823,'180 owed to Kenya Universities and Colleges Central Placement Services (KUCCPS). However, reconciliation showing the movement in this account was not provided for review.

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

Management response

857. The schedule for the KUCCPS payable has been provided for review.

Committee Observation

858. The matter is addressed. The response was verified and was satisfactory

12.1.6 Inaccuracies in Receivables from Non-Exchange Transactions

859. The statement of financial position and as disclosed in Note 21 to the financial statements reflects receivable from non-exchange transaction of Kshs.62,682,403. Included in this balance is Kshs.15,559,903 owed to the institute by Ministry of Gender and Youth Department. This was in respect of seventy-six (76) students billed at Kshs.144,800 per student. Re-computation of this billing results to Kshs.1 1,004,800 leading to unexplained variance of Kshs.4,555,103. A detailed breakdown and reconciliation of the receivable of Kshs.15,559,903 was not provided for review.

860. In the circumstances, the accuracy of receivables from non-exchange transactions could not be confirmed.

Management response

861. Unexplained variance of Kshs.4,555,103 was previous year balance which has since been settled

Committee Observation

862. The matter is addressed. The response was verified and was satisfactory

12.1.7 Budgetary Control and Performance

863. The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects total final revenue budget and actual receipt of Kshs.603,222,318 and Kshs.285,066,973 respectively resulting to under-funding of Kshs.318,155,345 or 47% of the budget. Similarly, the College spent an amount of Kshs.370,515,039 against actual receipts of Kshs.285,066,973 resulting to an over expenditure of Kshs.85,448,066 or 23% of the actual receipts. No explanation was provided as to whether the over expenditure was authorized. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management response

864. Under funding was the main problem resulting in budgetary under performance.

Committee Observation

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

Committee Recommendations

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

867. Further, the Institution is encouraged to develop other income-generating activities to increase its cash flow so as not to depend on government funding only.

12.1.8 Failure to Observe One One-Third Rule on Staff Composition

868. Review of personnel records provided for audit revealed that the Institute had a total of one hundred thirty-two (132) employees, employed the by Board of Governors, out of which one hundred and seventeen (117) or 89%, were from the dominant community contrary to Section 7(1) and (2) of National Cohesion and Integration Act, Cap. 7N which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Management response

870. This is a continuous process where, whenever there is a vacant position, the management considers ethnic balance.

Committee Observation

871. The matter is resolved. The response was satisfactory.

12.1.9 Failure to Register Trainers with Technical and Vocational Education Training Authority

872. A review of the personnel records provided for audit revealed that the Institute had a total of one hundred and eighty-one trainers (181) trainers, employed by the Public Service Commission, during the period under review. The trainers formed part of the employment cost of Kshs.75,756,839 as indicated in Note 14 to the financial statements. A review of the Human Resources records showed that only fifty-four (54) trainers were registered by the Technical and Vocational Education and Training Authority contrary to Section 23 of Technical and Vocational Education and Training Act, Cap. 210A.

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

Management response

874. Management is making follow ups with TVETA on the license for trainers. TVETA has caused the delay on issuing licenses.

Committee Observation

875. The matter is resolved. The response provided was satisfactory.

12.1.10 Anomalies in Annual Procurement Plan

876. The annual procurement plan of the Institute amounts to Kshs.336,572,635 and is divided into development plan of Kshs.218,934.278 and recurrent plan of Kshs.117,638,357. However, review of the plan revealed the following unsatisfactory matters:

i. Whereas the development procurement plan portion was tied to the budget, the recurrent procurement plan amount could not be traced to the annual budget contrary to Regulation 40(1) of Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

ii. There was no reservation or allocation of 30% of procurement to Women, Youth and persons with disabilities contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, Cap. 412C, which states that, all state organs and public entities during their procurement and disposal planning are required to reserve a minimum of 30% of the budgetary allocations to enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

iii. There was no indication of items that could be aggregated for procurement as a single package or for procurement through any applicable arrangements for common-user items contrary to Section 7(2)(h) of the Public Procurement and Asset Disposal Act, Cap. 412C that require the National Treasury to develop and review policy on procurement of common user items in the public sector both at national and county government levels.

iv. The development projects were not indicated whether they are single or multi-year project contrary to Regulation 41(c) of the Public Procurement and Asset Disposal Regulations, 2020 that states that the annual consolidated procurement plan for each procuring entity shall include an indication and justification whether it shall be procured within a single-year period or under a multi-year arrangement.

v. The template used in preparation of the annual procurement plan was not the same as one indicated under Regulation 128(10) of the Public Procurement and Asset Disposal Regulations, 2020.

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

Management response

878. No response provided.

Committee Observation

879. The matter is resolved.

12.1.11 Failure to Observe One Third Rule of Employee Basic Pay

880. A review of payroll records during the year confirmed that the Institute paid gross salaries of Kshs.75,756,839 as disclosed in Note 14 of the financial statements. On sample basis, it was established that forty-one (41) employees earned a net pay of Kshs.236,313 which was below a third of their basic pay of Kshs.295,154 contrary to Section 19(3) of the Employment Act, Cap.226 which states that an employer is permitted to make deductions from an employee's salary provided the employee takes home not less than a third of his salary.

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

Management response

882. The housing levy which was introduced affected most staff who had existing loans hence making them fall below the one third basic pay threshold.

Committee Observation

883. The matter is resolved. Response was satisfactory.

12.1.12 Meeting Held Outside the Principal's Office

884. As disclosed in Note 15 of the financial statements, the Institute's board expenses amounted to Kshs.6,412,905. Included in this expenditure is an amount of Kshs.1,104,800 for the strategic plan review meeting held in Mombasa from 12 December, 2022 to 16 December, 2022. The letter of approval from the Cabinet Secretary was not provided for audit. This was contrary to Circular number OP/CAB.9/1A dated 11 March, 2020 from the Executive Office of the President which states that all board businesses including committee meetings shall be transacted at the principal or registered office of the corporation. The board retreats are to be approved by the respective Cabinet Secretary.

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

Management response

886. The response was satisfactory. The meeting was held in a government institution in Mombasa.

Committee Observation

887. The matter is resolved. Response was satisfactory.

12.1.13 Integrity and Access Controls of the Institute's ERP System

888. A review of the Institute's Enterprise Resource Planning system revealed the following control weaknesses;

i. Whereas the Institute's ERP system was meant to integrate most operations. The assets management, fleet management and health management modules were not functional.

ii. The system is not integrated with the Institute Biometric Control System so as to assist in managing trainers and trainees class attendance.

iii. The system could not support trainers' payroll computations as trainers were still paid based on the number of teaching hours utilized. This payroll was computed manually and was prone to errors. The user acceptance tests were not carried out so as to confirm the system functionality as per the user requirements.

iv. There was no evidence of existence of Systems Implementation Committee, yet the system was not fully implemented.

v. The access rights controls were violated with the system administrator having unlimited access to the system. The system administrator could admit and clear a student, invoice and credit a student account among other sensitive functionalities.

vi. The access rights of suspended employees were not being deactivated.

vii. There was no segregation of the access rights as one finance staff could generate invoices, create debit notes, approve student debit note, approve credit note, request imprest, post journals, cancel payments, cancel receipt and refund fees.

viii. The system was semi-automated as payment voucher or material requisition were raised in the system but all the reviews and approval were done outside the system.

889. In the circumstances, the system's control environment is weak.

Management response

890. ERP Systems by Optimum solutions has since been replaced by a better system.

Committee Observation

891. The matter is resolved. The institution currently has a new system in place.

12.1.14 Losses of the Institute's Production Units

892. As disclosed in Note 13 of the financial statements, the Institute spent Kshs.209,91 1,442 on use of goods and services. Out of which Kshs.22,743,514 and Kshs.1 p32,062 was incurred towards catering and farming expenses respectively. However, a review of the corresponding incomes as disclosed in Note 8 and 9 of the financial statements revealed that the institute generated incomes of Kshs.943,028 and Kshs.288,375 on catering and farming activities respectively thereby resulting to losses of Kshs.21,800,486 for catering activity and Kshs.743,687 on farming.

893. ln the circumstances, the Institute is not effectively utilizing the income-generating units.

Management response

894. Management intends to outsource the cafeteria services in order to mitigate on the losses.

Committee Observation

895. The matter is resolved. The response was satisfactory.

12.1.15 Employee costs

896. As disclosed in Note 14 to the financial statements, the Institute spent Kshs.75,756,839 towards employee related expenses. However, audit review revealed the following matters:

i. There was no staff establishment indicating the required number of non - teaching employees versus the in-post staff.
ii. The Institute had three Board of Governors' payrolls: Teaching, Non-Teaching contractual staff and non-teaching permanent staff. A review of non-teaching staff payrolls showed that employee grades were not indicated.
iii. The Institute does not have a Scheme of Service. Whereas there is a career progression guideline, it does not indicate the salary grades and bands. ln the

circumstances, the Institute is at risk of failing to control the employment costs.

Management response

897. No response provided.

Committee Observation

898. The matter is resolved.

12.1.16 Failure to insure the Institute's Assets

899. As disclosed in Note 23 to the financial statements, the Institute's net book value of the property, plant and equipment was Kshs 1,028,572,080. However, audit review revealed that apart from motor vehicle, other assets with a net book value of Kshs.633,664,580 were not insured.

900. Failure to insure the assets contravene Regulation 139(1) of the Public Finance Management(National Government) Regulations, 2015, which requires the Accounting Officer of a national government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

901. In the circumstances, internal control on assets could not be confirmed.

Management response

902. The institution is making efforts to get funds to insure all the assets. Parliament should consider helping the institution insure its assets.

Committee Observation

903. The matter is resolved. The response was satisfactory.

12.2 Audited Statements for Financial Year 2023/2024- (Qualified Opinion)

12.2.1 Revenue

12.2.1.1 Variances in Revenue from Rendering of Services - Student Fees

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

12.2.1.2 Under Declared Rental Revenue from Facilities and Equipment

905. The statement of financial performance reflects total revenue from exchange transactions amount of Kshs.297,877,061 which includes rental revenue from facilities and equipment amount of Kshs.1,177,535 as disclosed in Note 10 to the financial statements. However, due to lack of a policy to guide in the amounts chargeable by exam centres for services rendered, exam centres charged unequal amounts for similar services rendered resulting to under collection of rental revenue. In the circumstances, the accuracy and completeness of the amount of Kshs.1,177,535 reported on rental revenue from facilities and equipment could not be confirmed

Management Response

906. Amount charged as exam center fee is Kshs.560,985 and is captured in academic policy. Amount of Kshs. 1,177,535 is inclusive of exam center fee and hire of facilities Kshs. 616,550

Committee Observation

907. The policy that guides the amount charged was not provided.

Committee Recommendations

908. Management must comply with Regulation 64(1) of Public Finance Management(National Government) Regulations, 2015, which states that receiver of revenue shall ensure that all revenue is collected and accounted for in accordance with the law and that appropriate measures are taken to prevent loss of public funds and Regulation 104(1) of the Public Finance Management (National Government) Regulations 2015 which states that "Every national government entity shall prepare vouchers to support all payments and shall ensure that the vouchers are certified by the responsible officer before payment is made."

12.2.2 Inaccuracies in Current Receivables from Exchange Transactions Balance

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

12.2.3 Inaccuracies in Current Receivables from Exchange Transactions Balance

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

12.2.4 Unsupported Inventories Balance

911. The statement of financial position reflects inventories balance of Kshs.2,051,355 as disclosed in Note 22 to the financial statements. However, the Institute did not have stock take instructions, bin cards for receipt and issuing of stock, stock lake minutes, stock take report as at 30 June, 2024 and inventory stock ledger to manage and show the stock of the Institute at the close of the year. In the circumstances, the existence, accuracy and completeness of the inventories balance of Kshs.2,051,355 could not be confirmed.

Management Response

912. The actual amount is done manually due to challenges emanating from the ERP system. We can therefore confirm the amount presented in the financial statement is correct after reconciliation with the ERP figure. The institute keeps stock movement ledger book to track the movement of stock and was provided during audit assignment for confirmation. However, a sample ledger book for health unit has been attached to this report for confirmation.

Committee Observation

913. The matter is resolved. The management has shown its commitment by acquiring a new system that will handle the stock take of inventories.

12.2.5 Inaccuracies in Property, Plant and Equipment Balance

914. The statement of financial position reflects property, plant and equipment balance of Kshs.l,031,204,358 as disclosed in Note 23 to the financial statements. This balance includes additions during the year of Kshs.52,052,074 made up of furniture and fittings of Kshs.547,995, computers of Kshs.1,519,750 and work in progress of Kshs.49,984,329. However, there was no detailed listing of additions amounting to Kshs.52,052,074 provided for verification. Further, the addition of Kshs.52,052,074 reflected in property, plant and equipment balance differed with the general ledger balance of Kshs.6,338,001 resulting to an unexplained variance of Kshs.45,714,073.

915. In addition, the financial statements did not disclose the rates of depreciation and amortization under the summary of significant accounting policies and therefore it was not possible to determine the accuracy of depreciation and amortization.

916. ln the circumstances, the accuracy of property, plant and equipment balance of Kshs.1,031,204,358 could not be confirmed.

Management Response

917. The general ledger provided during audit assignment showed the following as additions during the year

i.	Furniture and fittings – 547,995	
ii.	Computers	- 1,519,750
iii.	WIP	- 49,984,329
	TOTAL	**- 52,052,074**

918. An Amount of 52,052,074 has been showed under PPE schedule of the amended financial statement

Committee Observation

919. The matter is addressed. Management amended the financial statements.

12.2.6 Lack of Motor Vehicle Ownership Documents

920. The statement of financial position reflects property, plant and equipment balance of Kshs.1,031,204,358 as disclosed in Note 23 to the financial statements. The balance includes motor vehicles with a cost of Kshs.21,365,413. However, the institute did not provide ownership documents for a motor vehicle valued at Kshs.5,400,000 for audit verification. ln the circumstances, the ownership of the motor vehicle valued at Kshs.5,400,000 could not be confirmed.

Management Response

921. The vehicle was purchased by the institute and delivered. However, processing of log book with NTSA and Toyota is ongoing and we are yet to receive the log book.

Committee Observation

922. The management has not yet obtained the logbook from the NTSA office.

Committee Recommendations

923. Management to ensure the logbook is obtained within one month after appearing before the committee.

12.2.7 Unsupported Intangible Assets Balance

924. The statement of financial position reflects intangible assets balance of Ksh.8,020,394 as disclosed in Note 24 to the financial statements. However, the asset movement schedule supporting the balance was not provided for audit. Further, the list showing the specific assets forming the intangible assets was not provided for review and the amortization rate for the intangible assets was not disclosed.

925. In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.8,020,394 could not be confirmed.

Management Response

926. Movement of intangible assets is reflected in the amended financial statement. Amortization is done at 20%.

Committee Observation

The matter is resolved. Management amended the amortization schedule.

12.2.8 Unsupported Biological Assets Balance

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

12.2.9 Unsupported Internet and ICT Expenses

928. The statement of financial performance reflects use of goods and services amount of Kshs.202,351,033 which includes an expenditure of Kshs.8,242,372 towards internet expenses as disclosed in Note 13 to the financial statements. However, due to non-provision of supporting procurement documents such tender documents, tender evaluation process, notification of tender award both to the successful bidders and unsuccessful bidders, indicative market rates and professional opinions, It was not possible verify the expenditure on ICT amounting to Kshs.8,242,372. In the circumstances, the accuracy and validity of internet and ICT expenses of Kshs.8,242,372 could not be confirmed

Management Response

929. The institute procures goods under framework agreement where pre-qualified suppliers are subjected to mini competition.

Committee Observation

930. The matter is resolved. The management shared an agreed framework with the suppliers.

12.2.10 Budgetary Control and Performance

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

12.2.11 Unresolved Prior Year Matters

932. The unresolved prior audit matters have been addressed by the committee

12.2.12 Flawed Procurement Process of an Enterprise Resource Planning System

933. The Institute tendered for the procurement of an Enterprise Resource Planning (ERP) System on 5 August , 2020 for a contract sum of Kshs.16,350,000. The project was to be completed within 22 weeks by February, 2021, but an extension was granted to June, 2021. However, both the request and grant for extension of the contract were not provided for review.

934. The ERP system was to integrate core operational functions such as finance, human resources, student management, procurement, and academics into a single, centralized platform resulting into enhanced operational efficiency, data accuracy, and better decision-making. The ERP system had specific deliverables that included upgrading, testing, training, commissioning and maintenance of ERP system. However, despite having paid Kshs.9,810,000, audit verification carried out in April, 2025 revealed that there was Vendor access denial and none of the modules were functional since the Vendor had restricted the access to the system and database resulting from a dispute between the two parties forcing the institute to revert back to manual data operations in managing its critical operational functions previously handled through the ERP system.

935. Further, the lnstitute was unable to retrieve and use critical information resources resident in the ERP system including underlying records critical in preparation and supporting its financial statements for the year under review. This undermined system ownership, data governance, and accountability and risked long-term dependency on the vendor.

936. On the implementation status, it was noted that out of 21 modules, l3 modules costing Kshs.9,200,000 were implemented but notworking as per requirements, while 8 modules worth Kshs.7,150,000 were not implemented at all.

937. ln addition, the Vendor did not confirm the specification requirements with the users and the system design and business blueprint were not provided to the lnstitute as per the agreement. lt was also noted that the Vendor did not offer user acceptance testing, training of technical personnel on troubleshooting, adding new features and new parameters in the back end, or

performing adjustments to the system and was yet to hand over critical access, such as database access.

938. In the circumstances, there was no value for money from the acquired ERP system.

Management Response

939. Inadequacies in the ERP system by Optimum Solution Limited is acknowledged for not meeting the user needs. However, a better system has since been rolled out that is user-friendly and more effective. ERP system by Optimum was terminated.

Committee Observation

940. The matter is resolved. Management acquired a new system, which is user-friendly.

12.2.13 Non-Compliance with Law on Ethnic Composition

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

12.2.14 Failure to Conduct Governance Audit and Board Evaluation

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

12.2.15 Delayed Completion of the Proposed Dairy Unit

943. The Institute awarded a tender to a contractor for the completion of the proposed Dairy Unit on 24 May, 2024, at a contract sum of Kshs.2,990,760 for a contract period of 4 months. The project commenced on 10 June, 2024 and an amount of Kshs.2,250,000 was paid to the contractor as part payment. However, it was noted that there were incomplete finishing works, including an improperly sloped floor that hindered effective water drainage, unpainted interior and exterior surfaces, missing restraining mechanisms on gates, and exposed external metal components that remain unpainted and unsecured.

944. Further, although plumbing installations had been completed, they had not been tested for functionality and compliance with required standards before commissioning. Site verification carried out in April, 2025 revealed that the contractor was not on site, and no active works were ongoing.

945. In the circumstances, value for money on the Kshs.2,250,000 paid towards the project may not be realized

Management Response

946. The contractor has not been fully paid. He has since been recalled to complete the remaining work; failure to which law shall be followed to terminate the contract. It is at 90% complete.

Committee Observation

947. The matter is addressed. The management shared an inspection report on the proposed dairy unit and pictures of the project

12.2.16 Breach of Data Protection Provisions

948. The Institute collects and processes data of its students from time to time especially during student enrollments. The data collected by the Institute are personal and sensitive in nature such as mobile phone numbers, Kenya Certificate of Secondary Education (KCSE), index numbers, date of birth, national identification/passport numbers, among others. Review of the data collection, processing and storage operation activities by the Institute revealed the Institute breached the Data Protection Act, Cap. 411C as detailed below.

i) The lnstitute had not been registered with the Data Commissioner as a Data Controller or Data Processor respectively and had unlimited access to student personal data contrary to Section 18(1) of the Data Protection Act, Cap. 411C which states that subject to sub-section (2), no person shall act as a Data Controller or Data Processor unless registered with the Data Commissioner.

ii) The lnstitute had not established personal data retention schedule and appropriate time limits for the periodic review of the need for the continued storage of personal data for any of the law enforcement purposes and had not developed and published a policy reflecting their personal data handling practices contrary to Section (3) of the Data Protection Act, Cap. 411C which states that the Data Controller or Data Processor shall implement mechanisms to ensure that time limits established for the rectification, erasure or restriction of processing of personal data, or for a periodic review of the need for the storage of the personal data, is observed.

iii) Management had not implemented the elements necessary to safeguard the principle of storage limitation including having in place means of managing policies and procedures for information security, assessing the risks against the security of personal data and putting in place measures to counter identified

risks and regularly reviewing and testing management information systems used by the Institute to uncover vulnerabilities.

iv) Management had not implemented the elements necessary to safeguard the v) . principle of storage limitation including having in place a clear internal procedure for deletion and destruction of personal data of subjects, determining what data and length of storage of personal data that is necessary for the purpose and formulating internal retention statements of implementing them.

v) lt was also noted that Management did not conduct data protection impact assessment prior to processing of the data. ln the circumstances, Management was in breach the law.

949. ln the circumstances, Management was in breach of the law

Management Response

950. With the new system in place, all the data protection laws and policies on data control and data processing will be duly adhered to.

Committee Observation

951. The matter is resolved. A new system was acquired and is compliant with Section 18 (2) of the Data Protection Act.

Committee Recommendations

952. Management must always comply with Section 18 (2) of Data Protection Act, Cap. 411C, which states that no person shall act as a data controller or data processor unless registered with the Data Commissioner and Section 42(2)(b) of the data protection Act, Cap. 411C Where a data controller is using the services of a data processor.

12.2.17 Lack of an Approved Inventory Management Policy

953. The statement of financial position reflects total current assets balance of Kshs.370,037,643 which includes inventory balance of Kshs.2,051,355 as disclosed in Note 22 to the financial statements. However, the institute did not have in place an inventory Management Policy to guide inventory handling, recording, movement access and valuation.

954. ln the circumstances, the existence of controls over inventory could not be confirmed.

Management Response

Management of inventory has been captured as a clause in the procurement policy and procedure manual, chapter 4.6, sub-section (i). However, we are developing a stand-alone policy on inventory management.

Committee Observation

955. The matter was resolved by the acquisition of the new ERP system.

12.2.18 Deficiencies in Internal Audit Department and Audit Committee

956. Review of the Internal Audit Department and Internal Audit Committee revealed that the Audit Committee did not publish an annual report on the review of the independence, performance, and competence of the Internal Audit Unit contrary to Regulation 166(2) of the Public Finance Management (National Government) Regulations, 2015. Further, the internal audit unit has not undergone a professional assessment of its effectiveness by a professionally recognized body or institution in the last three years as required by Section 166 (3) of the Regulations that states that at least once every three years but not more than five years, internal audit unit shall undergo a professional assessment of its effectiveness undertaken by a professionally recognized body or institution.

957. In the circumstances, the internal controls of the Institute may not have been effective.

Management Response

958. The shortage is occasioned by insufficient funds hence, once funds are received audit department will be well equipped.

Committee Observation

959. The internal audit function is still not in place.

Committee Recommendations

960. Management should budget for the internal audit function in compliance with Regulation 166 of Public Finance Management (National Government) Regulations, 2015.

12.2.19 Lack of Management Policy on Trade and Other Payables

961. The statement of financial position reflects trade and other payables of Kshs.32,254,503 which includes trade payables of Kshs.24,079,797 as disclosed in Note 26 to the financial statements. However, the Institute did not have in place a Creditors' Management Policy contrary to Section 165(1) of the Public Finance Management National Government Regulations, 2015 which requires National Government entity to develop creditors policy.

962. In the circumstances, the Institute may not have proper guidelines on management of trade and other payables

Management Response

963. Policy on trade and other payables to be developed.

Committee Observation

964. The policy on trade and other payables is still not in place.

Committee Recommendations

965. Management must always comply with Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which states that "An accounting officer shall ensure that the national government entity establishes and implements a risk management framework that identifies, assesses and manages material risks to the entity, puts in place appropriate risk mitigation measures, monitors risk treatment actions and reports on significant risks to the appropriate oversight bodies.

12.2.20 Weak Information Communication Technology (ICT) Controls

966. Review of the information and communication technology controls revealed the following weaknesses;

i. Whereas Management had installed CCTV cameras for surveillance at strategic locations within the Institute, the same had not been extended to the server room and the physical access to the facility was not effectively controlled as no biometric access control had been installed at the entrance of the server room.

ii. Further, the Institute did not have in place a contingency plan to guide in disaster recovery and had not implemented guidelines on implementation of information security at the Institute and neither had it blocked access to internet websites and protocols that are deemed inappropriate for the Institute's corporate environment as required by the Institute's ICT Policy.

iii. Management did not provide proof that the Institute has a secondary back up site and that backup copies of the software and other information resources were kept off-site.

iv. Management had not implemented guidelines on the composition, appointment and functions of members of the ICT Policy Committee and monitoring of the v) vi) implementation of the said Policy.

v. The Institute had a non-functional Enterprise Resource Planning (ERP) System which according to Management, had been locked by the Vendor due to unresolved disputes between the Vendor and the Institute. Management did not also provide documented correspondences regarding the dispute.

vi. Review of email correspondences revealed the Institute lacked formal e-mail system and all staff used personal emails for official government business. This was contrary to the Head of Public Service Circular SH/ADM 23(1) dated 14 June, 2022 and Government ICT Standards, 2019 prescribing that all Ministries, Counties, Departments and Agencies (MCDAs) shall acquire and ensure appropriate use and management of e-mail and instant messaging applications.

967. ln the circumstances, internal controls over Information Communication Technology (ICT) Controls could not be confirmed.

Management Response

968. Controls are duly enhanced with the newly implemented

Committee Observation

969. The matter was resolved by the acquisition of a new system.

12.2.21 Failure to Maintain an Updated Imprest Register

970. The statement of financial performance reflects Kshs.202,351,033 in respect of use of goods and services which includes Kshs.30,853,117 relating to travelling and accommodation as disclosed in Note 13 to the financial statements. However, the lnstitute did not maintain a complete and updated register for management and control of imprests issued. Further, it was observed that details relating to the payee, personal numbers, designation, imprest warrant number, date of issue, due date and date of surrender, were not recorded in the imprest register. This was contrary to the provisions of Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015 on management of issuance and control of imprests.

971. ln the circumstances, there was weak internal control in management of imprest system.

Management Response

The inefficiencies of the previous ERP system contributed to incomplete updates on the imprest register. However, updating of the imprest register was done manually before implementation of the current ERP system.

Committee Observation

972. The matter was resolved by the acquisition of the new system.

13.0 KAJIADO WEST TECHNICAL AND VOCATIONAL COLLEGE

973. Dr. Jane M. Ringera, the Principal, accompanied by

i. Dr. Lumumba Achieng- Former Principal
ii. Mr. Peter Bukusi- Finance Officer
iii. Hellen Kanet- Procurement Officer
iv. CPA. Ronald Kipkoech- Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Kajiado West Technical and Vocational College, on 11th September 2024.

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

13.1.1 Inaccuracies in the Financial Statements

974. The statement of financial performance reflects rendering of services – fees from students amount of Kshs.3,698,800 which excludes student debtors totaling to Kshs.8,482,495 as reflected under Note 14 to the financial statements.
975. The statement of cash flows reflects purchase of property, plant, equipment and intangible assets balance of Kshs.128,366,935 which are the opening balances and hence not involving cash flows in nature. Further, the statement reflects increase in debtors amount of Kshs.7,447,495 while the statement of financial position reflects an amount of Kshs.8,482,495.
976. The statement of changes in net assets reflects an unsupported and unexplained capital development grants balance of Kshs.130,107,286 as at 1 February, 2018.
977. The statement of financial position reflects cash and cash equivalents balance of Kshs.2,990,269 while the statement of cash flows reflects a balance of Kshs.4,156,219 resulting to a variance of Kshs.1,165,950 which was not explained or supported.
978. The statement of comparison of budget and actual amounts has omitted the column on utilization difference.

Management Response

979. The balance of Kshs 8,482,495 reflects a balance of student debtors of Kshs 7,447,495 and Kshs 1,035,000, which was capitation for students received after the financial year end. In subsequent financial statements, the figures of revenue from exchange and non-exchange transactions shall be shown separately and noted appropriately.

980. The management agrees with the auditors' findings. The opening balances do not involve cash movement and will not be reflected as such in future financial statements.

981. The correct balance to reflect as an increase in debtors is Kshs 7,447,495 which agrees with the balance of receivables from exchange transactions (student debtors). Care shall be taken to review financial statements in future to reflect appropriate balances across the financial statements.

982. The management, notes when the findings. The balance refers to an estimation of values of Land, building, property, plant and equipment in the College at inception. Since then the Management has received the values of College assets as follows:

    1. Building – Kshs 54,165,335 – As per form of tender on winning bidder's document obtained from Mentoring College (Masai Technical Training Institute)
    2. Plant & Equipment – Kshs 122,861,384 as per letter from MoE SDVTT on cost of equipment Ref MOE/DTE/6/5/1 VOL.XVIII(37).
    3. Office furniture - Kshs 1,901,210.00 as per price schedule from winning bid document provided by MoE SDVTT.
    4. Computers & Accessories – Kshs 4,630,000 as per price schedule from winning bid document provided by MoE SDVTT.

983. Provided is a schedule of the revised values capital development grants which the Management intends to adopt in financial statements going forward.

984. We agree with the auditors' findings. The correct position of the cash and equivalent balances were as on the provided bank statements and bank certificates totaling to Kshs 3,028,277 as reflected on Note 13 (a). Going forward the Management intends to review financial statements for accuracy and support of balances to avoid such misstatements.

985. The management concurs with the auditors' findings. It was an error of omission, and was corrected in the subsequent financial year's statements. Going forward the columns will not be omitted.

Committee Observation

986. The matter had been resolved. A list of student debtors and capitation was provided.

13.1.2 Revenue from Exchange Transactions

987. The statement of financial performance reflects rendering of services - fees from students and other income amounts of Kshs.3,698,800 and Kshs.4,869,260 respectively and as disclosed in Note 7 and Note 8 to the financial statements whose supporting schedules were not presented for audit.

Management Response

988. The management acknowledges the auditors' findings. Schedules for balances presented in notes 7 & 8 are herewith availed.

Committee Observation

989. The matter is resolved. Supporting schedules were provided and verified.

9.1.7 Employee Costs

990. As disclosed in Note 10 to the financial statements, the statement of financial performance reflects expenditure on employee costs totalling Kshs.3,576,302. However, the amount differs with the payroll summary amount of Kshs.3,512,378 resulting in an unexplained variance of Kshs.63,924.

Management Response

991. We, as the management, acknowledge the error. The correct employee cost is Kshs 3,512,378 as reflected on the payroll summary. The variance occasioned shall be corrected in the future financial statements so as to reverse the overstatement of employee costs.

Committee Observation

992. The Committee observes that the matter has been satisfactorily resolved. Management, provided the supporting schedules for the employee costs and made the necessary adjustments in subsequent statements.

13.1.3 Remuneration of Governors

993. The statement of financial performance reflects remuneration of governors of Kshs.795,100 as disclosed in Note 11 to the financial statements. However, only payment vouchers totalling to Kshs.413,220 were provided in support of the expenditure resulting to an unaccounted amount of Kshs.381,880.

994. In addition, the Principal was paid an amount of Kshs.182,000 as meals and accommodation for the period starting from 1 February 2018 to 28 February 2018, whose basis and authority was not provided.

Management Response

995. The payment schedule and payment vouchers have been attached totaling to 795,100. The management concurs with the auditors' findings. The payment was facilitation of trips from the College at inception to registration centers, agencies, and meetings as authorized and facilitated by the mentor institution.

Committee Observation

996. Management has provided the necessary supporting documentation for the remuneration and allowances, and the matter is now considered resolved.

13.1.4 Unsupported Cash and Cash Equivalents

997. The statement of financial position as at 30 June, 2019 reflects cash and cash equivalents balance of Kshs.2,990,269 and as disclosed in Note 13 to the financial statements. However, the cash and cash equivalents balance was not supported by a cash book, bank reconciliation statements and board of cash survey report.

Management Response

998. The management concurs with the auditors' findings. The correct position is as shown on Note 13(a). Going forward cash and cash equivalent balances will be supported with a cash book, bank reconciliation statements and board of cash survey report.

Committee Observation

999. The cash book reconciliations and the board of survey report were not provided.

Committee Recommendation

1000. The Accounting Officer must establish and maintain a comprehensive cash book and ensure that bank reconciliation statements are prepared monthly and submitted by the 10th of the subsequent month, in strict compliance with Regulation 90(1) of the PFM (National Government) Regulations, 2015.

13.1.5 Unvalued Non-Current Assets

1001. The statement of financial position reflects a balance of Kshs.96,731,242 in respect of property, plant and equipment which as disclosed in Note 12 to the financial statements includes land valued at Kshs.18,010,000 and which was donated by Olosho-ibor Primary School located at Kajiado West. However, the donating Institution had not transferred the title documents to the college.

1002. Further, the amount of property, plant and equipment includes a donation of 20 computers, furniture and fittings and plant and equipment from the mentor Institution valued at Kshs.4,000,000, Kshs.2,000,000 and Kshs.50,000,000 whose basis of valuation and their depreciation rates were not disclosed or provided for audit.

Management Response

1003. The College management is in the process of acquiring the land. The management is awaiting a response from the County and National Governments on the transfer of the title.

1004. The management acknowledges the auditors' findings. The balance refers to an estimation of values of Land, building, property, plant and equipment in the College at inception. Since then the management has received the values of College assets as follows:

i. Computers & Accessories – Kshs 4,630,000 as per price schedule from winning bid document provided by MoE SDVTT.
ii. Office furniture - Kshs 1,901,210.00 as per price schedule from winning bid document provided by MoE SDVTT.
iii. Plant & Equipment – Kshs 122,861,384 as per letter from MoE SDVTT on cost of equipment Ref MOE/DTE/6/5/1 VOL.XVIII(37).

Committee Observation

1005. The institution's title deed has not been obtained. The schedules provided could not be relied upon except for those provided by the Ministry of Education.

Committee Recommendation

1006. The Committee recommends that the Accounting Officer follow up on the transfer of ownership for the land and ensures that all non-current assets are professionally valued. The Auditor-General to report on the progress made in securing the land title in the next audit cycle.

13.1.6 Budgetary Control and Performance

1007. The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.88,810,480 and Kshs.8,235,299 respectively resulting in budget under-utilization of Kshs.80,575,181 equivalent to 91% of the budgeted amount. Further, the statement reflects actual receipts of Kshs.13,626,259 against a final budgeted revenue of Kshs.88,810,480 resulting in an under realization of Kshs.75,184,221 equivalent to 85% of the budget.

Management Response

1008. The management concurs with the auditors' findings. In our budgeting, the Management included amounts to be supported by GoK on infrastructure projects an amount of Kshs 74,000,000.00, which the Management did not realize. The Management has since updated its budgeting process to include more realistic and achievable expectations, with commitments where possible before inclusion in the budget.

Committee Observation

1009. The Committee observes that the significant variance, particularly the under-expenditure, was heavily influenced by the non-disbursement of expected Government capitation. The Committee directs that the institution formulates more realistic and achievable budgets going forward.

Committee Recommendation

1010. The committee recommends that the Accounting Officer, henceforth reviews budgets quarterly to reflect actual financial realities, through supplementary budgets, and explores engaging in income-generating activities to reduce reliance solely on government funding.

13.1.7 Irregular Engagement of Security Services

1011. During the financial year under review, the College engaged the services of a security services provider using a contract of the mentor Institution. During a meeting by the Board of Governors held on 19 July, 2018 through min/5/07/EBOG/018 item 3(i) the Board agreed that the agreement between the College and the Security Company should be valid up to December, 2018. However, the College continued to engage the services of the firm past the recommended time contrary to Article 227(1) of the Constitution of Kenya, 2010, which requires a public entity contracting for goods and services to do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

Management Response

1012. The security services provider was engaged from the prequalified suppliers of our mentor institution. The services were extended as per the attached addendum. The Board of Governors commits to ensure adherence to Public Procurement and Disposal Act, Cap.412C and its regulations.

Committee Observation

1013. The matter is addressed. An addendum to the contract for extension was provided.

Committee Recommendation

1014. The Committee recommends that the Accounting Officer strictly adheres to the Public Procurement and Asset Disposal Act, Cap.412C, ensuring competitive bidding procedures are followed for all procurements, unless exceptions are explicitly justified and approved according to the law.

13.1.8 Lack of Internal Audit Function and Internal Audit Committee

1015. Review of the College's records revealed that it does not have an Internal Audit Function and an Internal Audit Committee contrary to Section 73 of the Public Finance Management Act, Cap. 412A. The internal audit function will aid the College in review and evaluation of budgetary performance, financial management, transparency and accountability mechanisms and processes, have a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance within the college and review the effectiveness of the financial and non-financial performance management systems.

Management Response

1016. Following the period under review, a board committee was formed, an internal auditor employed and the committee meets regularly.

Committee Observation

1017. The matter is addressed. An internal Audit Committee is currently in place and an internal auditor was employed.

13.1.9 Internal Control Weaknesses

1018. Review of the College's internal controls revealed that the entity lacked the basic controls that enable the departments to function effectively. The entity lacked a fraud prevention mechanism, risk management strategies, risk assessment reports, training needs assessment reports, approved organization chart, disaster recovery plan, approved human resource manual and the approved staff establishment.

1019. Failure to develop and implement a risk management policy is an indication that the College does not have a framework for management of risk and hence it is not possible to identify, assess and control risk.

1020. Failure to enforce internal control procedures may affect accuracy, reliability and completeness of operations.

Management Response

1021. After the period in review, the Board of Governors (Minutes of 2nd August 2024 has approved and updated policy documents i.e. the strategic plan, Academic policy,

industrial attachment, ICT, Jitume, Finance & procurement policies and Human resource and risk policy in draft.

Committee Observation

1022. The matter is addressed. Several policies have been instituted to enforce the internal controls.

13.1.10 Information Communication Technology (ICT) Environment

1023. Review of the College's ICT environment revealed that there was no Information Technology department or a formally approved ICT policy to enable the College manage business processes for the delivery of services to the stakeholders in an effective and efficient manner.

1024. It was further noted that the College did not have any Information Technology (IT) system. The College lacked a comprehensive ICT inventory such as asset management system for consolidating assets within the entity and managing assets acquisition and disposals, an integrated human resource management system for integrating all human resource functions within the entity and an accounting system for managing accounting functions within the entity which includes financial reporting and payments system.

Management Response

1025. The Board of Governors has put in place an ICT Policy, and has four (4) staff employed in the department. The Board of Governors intends to procure other application systems to enhance data confidentiality, accuracy, reliability, integrity and availability by 30th June 2028.

Committee Observation

1026. The matter is addressed. Management provided an approved ICT policy.

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

13.2.1 Inaccuracies in the Financial Statement

1027. The statement of financial position reflects receivables from exchange transactions comparative balance of Kshs.7,447,495 while the prior year financial statements reflects a balance of Kshs.8,482,495.

1028. Included in the statement of financial performance is depreciation and amortization expenditure of Kshs.8,363,817 which was not explained or supported and whose basis is not disclosed in the financial statements.

1029. The statement of financial position reflects total capital and reserves balance of Kshs.111,519,316 while the statement of changes in net assets reflects a balance of Kshs.110,494,316.

1030. The statement of cash flows reflects cash and cash equivalents balance of Kshs.15,623,503 as at 30 June, 2020 while the statement of financial position reflects cash and cash equivalents balance of Kshs.11,592,338.

1031. The statement of comparison of budget and actual amounts reflects actual on comparable basis amounts of Kshs.2,659,947 and Kshs.5,450,527 in respect of compensation of employees and use of goods and services while the statement of financial performance reflects Kshs.2,688,981 and Kshs.4,604,165 respectively.

Management Response

1032. The balance of Kshs 8,482,495 reflects a balance of student debtors of Kshs 7,447,495 and Kshs 1,035,000, which was capitation for students received after the financial year end. The inconsistency is noted and going forward, financial statements shall be reviewed for consistency in comparative balances.

1033. The managements wishes to conquer concur with the auditors' findings. The balance is an accumulation of the depreciation of the non-current assets for the year calculated at the rates indicated in the Finance Act. The basis of depreciation calculation shall in future be disclosed in the financial statements and the Board of Governors shall provide guidance through the finance and procedures policy document on how depreciation is to be calculated and the classification of non-current assets. By 30th June 2025.

1034. There was an error that was included due to lack of review of the documentation. Going forward the review will be carried out to ascertain the accuracy, completeness and correctness of balances in the financial statements.

1035. The correct position of cash and cash equivalents is Kshs.11,592,338. This was an error on the statement of cash flows and shall be reviewed for accuracy and consistency of balances going forward.

1036. The correct position of compensation of employees and use of goods and services balances are as indicated on the statement of financial performance Kshs.2,688,981 and Kshs.4,604,165 respectively. Going forward, a review of balances shall be carried out to ascertain correctness, accuracy and uniformity of balances across the financial statements.

1037. The Management has noted the auditors' findings. The balance of Kshs 3,191,920 reflects student's examination and materials fees received from the National Youth Service to cater for sponsored students.

1038. The balance of Kshs 253,215 refers to balances collected under the vote head Caution money which is refundable on completion of studies and a student welfare kitty utilized for student union activities collected from the students. Attached is a list of students from whom funds were received.

Committee Observation

1039. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management's response.

13.2.2 Trade and Other Payables

1040. The statement of financial position reflects current liabilities balance of Kshs.18,903,638 which as disclosed in Notes 17, 20 and 21 includes students' deposits (caution money and student welfare) and fees paid in advance totaling to Kshs.253,215 and Kshs.3,191,920 respectively and whose detailed analysis of what the amounts represent were not provided for audit.

Management Response

1041. The management note the auditors' findings. The balance of Kshs 3,191,920 reflects student's examination and materials fees received from the National Youth Service to cater for sponsored students.

1042. The balance of Kshs 253,215 refers to balances collected under the vote head Caution money which is refundable on completion of studies and a student welfare kitty utilized for student union activities collected from the students. Attached is a list of students from whom funds were received.

Committee Observation

1043. The Committee observes that the Management provided explanations and supporting lists detailing the composition of the deferred income and refundable deposits, which satisfy the query regarding accuracy and documentation.

13.2.3 Unsupported Revenue from Exchange Transactions

1044. The statement of financial position and as reflected in Note 7 and Note 8 to the financial statements reflects rendering services and other income amounts of Kshs.5,415,660 and Kshs.4,796,845 respectively whose analysis and supporting schedules were not provided for audit.

Management Responses

1045. The management acknowledges the auditors' findings. Schedules for balances presented in notes 7 & 8 are herewith availed.

Committee Observation

1046. The matter is resolved. Management addressed this query by providing the necessary analysis and schedules to support the revenue balance.

13.2.4 Unsupported Employee Costs

1047. The statement of financial performance reflects employee costs amount of Kshs.2,688,981 as disclosed in Note 10 to the financial statements. However, schedules in support of the expenditure were not provided for audit.

Management Response

1048. Our schedules for balances presented in note 10 are herewith availed.

Committee Observation

1049. The matter is resolved. Management provided the supporting schedules for the employee costs.

13.2.5 Unvalued Non-Current Assets

1050. The statement of financial position reflects a balance of Kshs.113,562,762 in respect of property, plant and equipment which as disclosed in Note 16 to the financial statements includes land valued at Kshs.18,010,000 and which was donated by Olosho-ibor Primary School located at Kajiado West. However, the donating Institution had not transferred the title documents to the college.

1051. Further, and as reported in the previous year, the amount of property, plant and equipment includes a donation of 20 computers, furniture and fittings and plant and equipment from the mentor Institution valued at Kshs.4,000,000, Kshs.2,000,000 and Kshs.50,000,000 respectively and whose basis of valuation and their depreciation rates were not disclosed or provided for audit.

Management Responses

1052. The management concurs with the auditors' findings. The Board of Governors is in the process of the acquisition of the land title deed. The Management is awaiting response from the County and National Governments on the transfer of the title.

1053. The balance refers to an estimation of values of Land, building, property, plant and equipment in the College at inception. Since then the Management has received the values of College assets as follows:

9. Computers & Accessories – Kshs 4,630,000 as per price schedule from winning bid document provided by MoE SDVTT.
10. Office furniture - Kshs 1,901,210.00 as per price schedule from winning bid document provided by MoE SDVTT.
11. Plant & Equipment – Kshs 122,861,384 as per letter from MoE SDVTT on cost of equipment Ref MOE/DTE/6/5/1 VOL.XVIII(37).

Committee Observation

1054. The committee observes that this is a recurring matter regarding the securing of land ownership documents and the professional valuation of assets. Management must expedite the valuation of these assets.

13.2.6 Budgetary Control and Performance

1055. The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.161,377,880 and Kshs.32,538,292 respectively resulting in budget under-utilization of Kshs.128,839,588 or 80% of the budgeted amount. Further, the statement reflects actual receipts of Kshs.22,822,505 against a final budgeted revenue of Kshs.161,377,880 resulting in an under realization of Kshs.75,184,221 or 86% of the budget.

Management Responses

1056. The management notes these observations. The board had included in the budget Kshs 60,000,000 for 'The proposed Lang'ata TVC' & Projects of Kshs 79,000,000. By the end of the Financial Year the College had only realized Kshs 10,000,000 for 'The proposed Lang'ata TVC'. Lack of realization of the funds contributed greatly to the underfunding and underutilization of the budget. Covid-19 pandemic also affected operations greatly.

Committee Observation

1057. The committee notes the significant under-expenditure and resource under-utilization, largely caused by the inclusion of anticipated but unrealized government development grants in the budget. The Committee encourages Management to focus on realistic budget planning.

Committee Recommendation

1058. The Committee reiterates its recommendation that the Accounting Officer review budgets quarterly through supplementary processes to reflect current realities and proactively explore engaging in reliable income-generating activities to enhance self-sustainability and improve services.

13.2.7 Irregular Engagement of Security Services

1059. As reported in the previous year, the College engaged the services of a security services provider using a contract of the mentor Institution. During a meeting by the Board of Governors held on 19 July, 2018 through min/5/07/EBOG/018 item 3(i) the Board agreed that the agreement between the College and the Security Company should be valid till December, 2018. However, the College continued to engage the services of the firm past the recommended time contrary to Article 227(1) of the Constitution of Kenya, 2010, which requires a public entity contracting for goods and services to do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

1060. Further, the College renewed a non-existent contract for a period of one year beginning 1 July, 2019 to 30 June, 2020. It could not be confirmed how and why the College would renew a contract that was non-existent. In addition, there were no approval minutes for the renewal of security services contract presented for audit.

Management Responses

1061. The security services provider was engaged from the prequalified suppliers of our mentor institution. The services were extended as per the attached addendum. The Board of Governors commits to ensure adherence to PPADA 2015 and its regulations.

Committee Observation

1062. The Committee notes that the Management's explanation regarding the procurement process through quotations from prequalified suppliers. It is crucial that procurement processes demonstrate integrity and transparency.

Committee Recommendation

1063. The Committee recommends an Accounting Officer immediately institutes a mechanism to ensure all relevant procurement documentation is prepared and filed promptly to demonstrate competitive bidding and value for money.

13.2.8 Delay in the completion of Twin Workshop, Classrooms and Office Blocks (2-storey) for the Proposed Langata Technical and Vocational College

1064. The College entered into a contract with a local company for the proposed erection and completion of a twin workshop, classrooms and office blocks (2-storey) for the proposed

Langata Technical and Vocational College - Nairobi County (Langata Constituency) vide Tender No.MoE-VTT/TVET/22/2018-2019 for dated 23 May, 2019 at a contract sum of Kshs.56,828,963. The Contract was to commence on 12 June, 2019 for a period of 52 weeks. The notification of awards to was done on 17 April, 2019 with the acceptance of award made on 25 April, 2019, 9 days after notification of the award. The evaluation report was signed on 26 April, 2019. by the Secretary only.

1065. The contract period was expected run from 12 June, 2019 to 12 June, 2020 with a revised completion time of 7 February, 2021. However, the site status report dated 19 October, 2021 from the Resident Engineer indicated that the project's overall completion is 65% complete. Physical verification carried out on 20 April, 2022 revealed that the building had not been completed and there was slow progress of work, 70 weeks after the scheduled contract period and the contractor was not on site.

Management Responses

1066. At the time of audit, a site meeting was conducted and there was no work going on as reported. However, after the audit, funds were availed and the contractor resumed works and completed phase I. The building is currently being utilized. The Management has attached a photograph of the current status of the College & the completion certificate for Phase I of the project.

1067. Going forward, the Board of Governors commits to ensure adherence to PPADA 2015 and its regulations.

Committee Observation

1068. The evaluation report was signed by only one officer, raising concerns about procedural compliance. However, Phase I of the project was eventually completed and is currently in use.

13.2.9 Lack of Internal Audit Function and Internal Audit Committee

1069. Review of the records revealed that the College does not have an Internal audit Function and an Internal Audit Committee contrary to Section 73 of the Public Finance Management Act, Cap. 412AThe internal audit function will aid the College in review

and evaluation of budgetary performance, financial management, transparency and accountability mechanisms and processes.

1070. The College has a duty to give reasonable assurance through the audit committee on the state of risk management, control and governance and effectiveness of the financial and non-financial performance management systems.

Management Responses

1071. Following the period under review, a board committee was formed, an internal auditor employed and the committee meets regularly.

Committee Observation

1072. The matter is addressed. An internal Audit Committee is currently in place and an internal auditor was employed.

13.2.10Lack of a Disaster Recovery Plan

1073. During the year under review, the College did not have a disaster recovery plan or business continuity plan. In the absence of a disaster recovery or business continuity plan, the College lacks a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted.

Management Responses

1074. The Management concurs with the auditors' findings. Following the period under review, a committee has been formed and terms of reference formulated to guide the committee in coming up with the policy.

Committee Observation

1075. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management's response.

13.2.11 Information Communication Technology (ICT) Environment

1076. This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

13.2.12Lack of a Risk Management Policy

1077. During the year under review, it was revealed that the College lacked a risk management policy thus it does not have a framework for management of risks and hence it is not possible to identify, assess and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

Management Responses

1078. Following the period under review, a draft risk policy is in place. By 30th June 2025 the Management envisages that the policy will be adopted, implementation officers appointed and sensitized, and have it operationalized.

Committee Observation

1079. The Committee observes that the absence of a formal risk management policy during the period under review exposed the College to unmanaged risks.

Committee Recommendation

1080. Management to ensure the Risk Management policy is approved and operationalized Future audits assess the effectiveness of the policy in identifying, mitigating, and reporting institutional risks.

13.3 Audited Statements for the Financial Year 2020/21(Qualified Opinion)

13.3.1 Inaccuracies in the Financial Statements

1081. The statement of financial position reflects property, plant and equipment balance of Kshs.123,387,979 while note 16 to the financial statement reflects a balance of Kshs.95,065,359.

1082. The statement of cash flows reflects cash and cash equivalents balance of Kshs.9,542,569 as at 30 June, 2020 while the statement of financial position and the corresponding Note 12 reflects a balance of Kshs.3,792,359 and Kshs.3,028,002 respectively. Further, the statement of cashflows reflects cash flows from investing activities in respect of property, plant and equipment balance of Kshs.20,925,008 while Note 16 indicates additions to

property, plant and equipment during the year amounting to Kshs.4,159,176. The variances were not explained or supported.

1083. The statement of changes in net assets reflects additional capital balance of Kshs.1,639,065 which was not explained or supported. The statement of financial performance reflects other income balance of Kshs.5,831,895 which differs with the balance of Kshs.7,441,014 reflected in Note 8 to the financial statements. The statement of financial performance reflects a depreciation charge amount of Kshs.11,099,791 while the corresponding Note 12 and Note 16 to the financial statements reflects an amount of Kshs.17,217,845.

Management Response

1084. The difference is a balance of values of works in progress of The Proposed Lang'ata TVC and the Kitchen and Dining Hall projects. Going forward, care shall be taken to review financial statements in future to reflect appropriate balances across the financial statements. The correct amount of cash and cash equivalent is as indicated on statement of financial position.

1085. The statement of cashflows reflects cash flows from investing activities in respect of property, plant and equipment balance of Kshs.20,925,008. This refers to the cash spent on The Proposed Lang'ata TVC. Note 16 indicates additions to property, plant and equipment during the year amounting to Kshs.4,159,176. This refers to the cumulative balance of additions to the various non-current assets' lines indicated.

1086. Going forward, care shall be taken to review financial statements in future to reflect appropriate balances across the financial statements. It was an error, going forward the balances shall be reviewed for correctness, accuracy and completeness across the financial statements. The correct other income balance is Kshs.5,831,895. It was an error, going forward the balances shall be reviewed for correctness, accuracy and completeness across the financial statements.

Committee Observation

1087. This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

13.3.2 Cash and Cash Equivalents Balance

1088. The statement of financial position reflects cash and cash equivalents balance of Kshs.3,792,359 while the corresponding Note 12 to the financial statement reflects Kshs.3,028,000 which includes cash of Kshs.404,348. However, the management did not maintain a cash book and bank reconciliation statements. Further, the board of survey of cash report to support the cash in hand was not provided for audit.

Management Response

1089. Going forward cash and cash equivalent balances will be supported with a cash book, bank reconciliation statements and board of cash survey report. The Management shall adhere to the PFM Act 2012 and its regulations.

Committee Observation

1090. The Committee reiterates its concern regarding the fundamental weakness arising from the failure to maintain a cash book and prepare monthly bank reconciliation statements, which makes the cash balances unreliable.

Committee Recommendation

1091. The Committee recommends that the Accounting Officer takes immediate corrective action to adhere strictly to Regulation 90(1) of the PFM (National Government) Regulations, 2015, ensuring that bank accounts are reconciled monthly and that a comprehensive cash book is diligently maintained.

13.3.3 Revenue from Exchange Transactions

1092. The statement of financial performance reflects Kshs.7,548,500 in respect of rendering of services - fees from students and disclosed in Note 7 to the financial statements. However, the schedules in support of the student fees were not provided for audit.

Management Response

1093. Schedules for balances presented in notes 7 are herewith availed.

Committee Observation

1094. The matter is addressed. The required schedules to support the revenue balances were provided.

13.3.4 Budgetary Control and Performance

1095. The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.87,880,563 against actual receipts of Kshs.38,885,395 resulting to an under collection of Kshs.48,995,168 or 56% of the budgeted amount. Similarly, the College budgeted to spend Kshs.87,880,563 against an actual expenditure of Kshs.30,723,873 resulting to an under expenditure of Kshs.57,156,690 or 35% of the budgeted amount.

Management Response

1096. The Management concurs with the auditors' findings. In the period under review a lot could not be achieved due to the uncertainty occasioned by the recovery of the Covid-19 measures.

Committee Observation

1097. The Committee acknowledges the challenging environment caused by the Covid-19 pandemic, which impacted revenue collection and expenditure. However, the significant variance highlights the need for adaptive financial management and planning.

Committee Recommendation

1098. The Committee recommends that the Accounting Officer strengthens budgetary control by performing quarterly budget reviews, including supplementary budgets when necessary, and prioritizing flexible spending plans to mitigate the impact of unforeseen external economic factors.

13.3.5 Delay in completion of the Proposed Erection of Twin Workshop, Classrooms and Office Blocks (2-storey) for the Proposed Langata Technical and Vocational College

1099. As reported in the previous year, the College entered into a contract with a local company for the proposed erection and completion of a twin workshop, classrooms and office blocks (2-storey) for the proposed Langata Technical and Vocational College - Nairobi County (Langata Constituency) vide tender No.MoE-VTT/TVET/22/2018-2019 for

dated 23 May, 2019 at a contract sum of Kshs.56,828,963. The Contract was to commence on 12 June, 2019 for a period of 52 weeks. The notification of awards was done on 17 April, 2019 with the acceptance of award made on 25 April, 2019, 9 days after notification of the award. The evaluation report was signed on 26 April, 2019 by the Secretary only.

1100. The contract period was expected run from 12 June, 2019 to 12 June, 2020 with a revised completion time of 7 February, 2021. However, the site status report dated 19 October, 2021 from the Resident Engineer indicated that the project's overall completion was 65% complete. Physical verification carried out on 20 April, 2022 revealed that the building had not been completed and there was slow progress of work, 70 weeks after the scheduled contract period and the contractor was not on site.

Management Response

1101. At the time of audit, a site meeting was conducted and there was no work going on as reported. However, after the audit, funds were availed and the contractor resumed works and completed phase I. The building is currently being utilized. The Management has attached a photograph of the current status of the College and a completion certificate for phase I. Going forward, the Board of Governors commits to ensure adherence to PPADA 2015 and its regulations.

Committee Observation

1102. The Committee observes that the matter has been resolved as the project is now complete and operational.

13.3.6 Irregular Procurement of Construction Works of College Kitchen and Dining

1103. The statement of financial position reflects property, plant and equipment balance of Kshs.123,387,979 which includes an amount of Kshs.2,385,815 for the construction of a student's kitchen and dining hall. Analysis of the payment documents and project file provided revealed that there was no approved budget, procurement plan, and board minutes authorizing the commencement of the project.

1104. Further, it was established that the basis of commencing the implementation of the project was an application letter by one of the College building tutors which was awarded at a cost of Kshs.15,000,000 without adhering to proper procurement procedures. The architectural and structural drawings were not approved by the relevant County authorities.

Management Response

1105. The Management has attached a photograph of the current status of the building. The construction shall be accomplished once funds are available. Going forward, the Board of Governors commits to ensure adherence to Public Procurement and Asset Disposal Act, Cap. 412C and its regulations.

Committee Observation

1106. The Committee observed that the matter had been resolved and was satisfied with the management response, having verified the corrections.

13.3.7 Lack of Internal Audit Function and Internal Audit Committee

1107. This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

13.3.8 Information Communication Technology (ICT) Environment

1108. This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

13.3.9 Lack of Disaster Recovery Plan

1109. During the audit exercise, it was observed that the College did not have a disaster recovery or business continuity plan. In the absence of a disaster recovery or business continuity plan, the College lacks a blueprint for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted in the event of a disaster.

Management Response

1110. The Management concurs with the auditors' findings. Following the period under review, a committee has been formed and terms of reference formulated to guide the committee in coming up with the policy.

Committee Observation

1111. The Committee observes that Management is developing the Disaster Recovery Plan and Business Continuity Plan,

Committee Recommendation

1112. The Committee urges the Accounting Officer to ensure that these crucial plans are formally approved and regularly tested upon completion to guarantee that operations can withstand potential disasters and minimize disruption effectively.

13.3.10 Lack of a Risk Management Policy

1113. During the audit, it was noted that the College lacks a risk management policy thus it does not have a framework for management of risk and hence not possible to identify, assess and control risk. As a result, it is not possible to define the College's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

Management Response

1114. The Management concurs with the auditors' findings. Following the period under review, a draft risk policy has been prepared as availed copy.

Committee Observation

1115. 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.

14.0 RIFT VALLEY INSTITUTE OF SCIENCE AND TECHNOLOGY (RIFT VALLEY NATIONAL POLYTECHNIC)

1116. Mr. Sammy Chemoiwa, The Principal, accompanied by: -

i. Susan Ikunywa, Finance Officer
ii. Gladys Kirwok- Internal Auditor

iii. Andrew Wangila- Supply Chain Officer

Appeared before the Committee to adduce evidence on the audited accounts of Rift Valley Institute of Science and Technology, on 16th October 2024.

14.1 Audited Statements for Financial Year 2019/2020 (Adverse Opinion)

14.1.1 Unsupported Rendering of Services

1117. The statement of financial performance for the year ended 30 June, 2020 reflects revenue from rendering of services of Kshs.331,593,883 as detailed under Note 7 to the financial statements. Included in the balance is Kshs.198,054,877 in respect of tuition fees. However, the supporting schedules did not indicate the amount receivable per student per semester and the amount received. Further, the balance includes Kshs.124,907,819 in respect of facilities and materials. However, the amount includes personnel emolument of Kshs.34,138,397, which is an expenditure item.

1118. Consequently, the accuracy and validity of the revenue of Kshs.331,593,883 obtained from rendering of services for the year ended 30 June,2020 could not be confirmed

Management Response

1119. The challenge has been with the manual system; the management is in the process of acquiring an ERP. The item of Personnel emolument included in the income for materials and facilities, is an actual vote head in the fee structure

Committee Observation

1120. The matter is addressed. The explanation provided by management was satisfactory

14.1.2 Unsupported Sale of Goods

1121. The statement of financial performance for the year ended 30 June, 2020 reflects sale of goods balance of Kshs.42,981,802 as detailed under Note 8 to the financial statements.

1122. Out of the balance is Kshs.35,491,019 in respect of accommodation production unit, boarding, bakery and farm incomes. However, the schedules provided to support the income items did not provide details as shown below:

Item	Balance (Kshs.)	Remarks
Accommodation production unit	5,732,450	No description of the number of persons and the

		days/dates of accommodation
Boarding	20,660,629	No description of the term or semester for which the income relates
Bakery	3,443,626	No description of the items sold and the rate per item.
Farm income	5,654,314	No description of the items sold and the rate per item.
Total	**35,491,019**	

1123.Consequently, the accuracy and completeness of the revenue from sale of goods of Kshs.35,491 ,019 for the year ended 30 June 2020 could not be confirmed.

Management Response

1124. The supporting documents have been provided.

Committee Observation

1125.The matter is addressed. A detailed schedule was provided, although outside the audit cycle.

14.1.3 Unsupported Use of Goods and Services

1126.The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.182,851,517 in respect of use of goods and services as detailed under Note 11 to the financial statements. The amount was spent on various items including administration, tuition, boarding, farm and rent expenses. However, the schedules provided to support the respective expenditure items did not indicate the activity for which the payments were made.

1127.Consequently, the accuracy and completeness of the use of goods and services balance of Kshs.182,851 ,517 for the year ended 30 June, 2020 could not be confirmed.

Management Response

1128.The schedules have been revised to include the activities.

Committee Observation

1129.The matter is resolved. The schedules indicating details of the activities were provided.

14.1.4 Unsupported Employee Costs

1130.The statement of financial performance for the year ended 30 June, 2020 reflects Kshs.87,346,623 in respect of employee costs as detailed under Note 12 to the financial statements. Included in the amount is expenditure of Kshs.64,468,985 in respect of salaries and wages of permanent and casual employees. However, it was noted that the payrolls had payees whose identification numbers were not indicated. Further, employee cost included Kshs.17,449,720 in respect of facilitators allowance which was not supported by a schedule detailing the names of the facilitators and their terms of engagement.

Management Response

1131.We have attached the monthly payrolls which discloses the staff details, gross salary and deductions. Facilitator's payments schedule also provided.

Committee Observation

1132.The matter is addressed. The extract of payroll disclosing personnel identification numbers and the schedule of facilitators' allowances were provided.

14.1.5 Cash and Cash Equivalents

1133.The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.251,234,1 19 and as detailed in Note 16 to the financial statements. The amount is held in 10 bank accounts, M-pesa account and cash at hand. However, although the bank reconciliation statements were provided for the 10 bank accounts, cashbooks were not provided to support the balances for the respective accounts.

1134.Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.251,234,119 as at 30 June, 2020 could not be confirmed.

Management Response

1135.All hard copies of the cashbooks have been provided for verification.

Committee Observation

1136.The matter is partially addressed. The bank reconciliations, cashbook extracts and bank statements were provided.

14.1.6 Unsupported Prepayment of Examination Fees

1137. The statement of financial position as at 30 June, 2020 reflects deferred income of Kshs.84,002,959 as detailed in Note 22 to the financial statements. The amount includes Kshs.43,937,230 in respect of pre-paid examination fees. However, no supporting schedule was provided to show the amount paid in excess of the balance payable by the respective students.

1138. Consequently, the accuracy and existence of the pre-paid examination fees of Kshs.43,937,230 as at 30 June, 2020 could not be confirmed.

Management Response

1139. Prepaid examination fee is KNEC examination charges that were received from the student during the year 2019/2020 but submitted to KNEC on December 14th 2020. The submission of the examination fee to KNEC was delayed due to closure of the Institute caused by the effect of Covid 19 pandemic.

Committee Observation

1140. The matter is resolved. The supporting schedule was provided.

14.1.7 Budgetary Control and Performance

1141. The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.600,515,000 and Kshs.394,150,567 respectively resulting to an underfunding of Kshs. 206,364,433 or 34% of the budget, the expenditure budget was Kshs.394,515,000 against actual expenditure of Kshs.309,340,134, resulting to an under-expenditure of Kshs.85,174,866 or 22% of the budget.

1142. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1143. The variance was caused by the underfunding of the budget.

Committee Observation

1144. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively.

Committee Recommendations

1145. The Committee recommends that the Accounting Officer henceforth review budgets quarterly to reflect realities, through supplementary budgets.

1146. Further, the Institution is encouraged to develop other income-generating activities to increase its cash flow so as not to depend on government funding only.

14.1.8 Fixed Assets Register

1147. The statement of financial position as at 30 June, 2020 reflects non-current assets Kshs.1,114,271,704 as detailed under Note 20 to the financial statements. However, assets register provided for audit lacked vital information which include, dates of acquisition assets, year of acquisition, cost of acquisition (or valuation), additions or disposals made during the financial year, serial numbers and title deeds where applicable and location of moveable assets.

1148. Consequently, the asset register may not be a reliable document for effective control of non-current assets.

Management Response

1149. Please refer to the attached register, which reflects the valuation conducted on November 1, 2021.

Committee Observation

1150. The matter is addressed. The assets register as at 30th June 2024 was provided.

14.1.9 Long Outstanding Trade Payables

1151. The statement of financial position as at 30 June, 2020 reflects trade and other payables from exchange transactions balance of Kshs.7,374,017 and as detailed in Note 21 to the financial statements. However, included in that amount are liabilities amounting to Kshs.5,488,847 that have been outstanding for over ten years. No evidence has been provided to indicate the action taken by the management to settle the liabilities.

1152. Consequently, the institute is likely to face costly lawsuits.

Management Response

1153. This balance was written back to revenue in the 2021/2022 fiscal year, and since then, no claims have been made.

Committee Observation

1154. The matter is addressed. The advertisement, Board resolution and approved journal entry were provided.

14.1.10. Lack of a Risk Management Policy

1155. During the year under review, it was noted that the Institute does not have a risk management policy that guides on assessment and evaluation of risk and to develop the strategies to mitigate them. This is contrary to clause Regulation 165(1) of the Public Finance Management Act (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

1156. Consequently, the service delivery may be adversely affected by avoidable risks.

Management Response

1157. The management subsequently developed a risk management policy to address the issue.

Committee Observation

1158. The matter is resolved. The risk management policy was provided.

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

14.2.1 Unconfirmed Cash and Cash Equivalents

1159. The statement of financial position reflects cash and cash equivalents balance of Kshs.244,514,164 as disclosed in Note16 to the financial statements. However, the balance was net of Mpesa Pay Bill amount of Kshs.5,007,645 which was not supported or explained.

1160. Further, review of documents revealed that cash withdraws from the bank totalling Kshs.45,071,998 were not adequately approved, supported and accounted for.

1161. In the circumstances, the accuracy of cash and cash equivalents balance as at30 June, 2021 could not be confirmed.

Management Response

1162. The Mpesa balance was subsequently supported via an M-pesa reconciliation. The withdrawals were accounted for by payments that are approved and supported.

Committee Observation

1163. The matter is resolved. The M-Pesa amount was supported with the reconciliation and an M-Pesa statement. The schedules of cash withdrawals were also provided.

14.2.2 Unsupported Inventories

1164.The statement of financial position reflects inventories totalling Kshs.2,298,320 as disclosed in Note18 to the financial statements. However, store ledgers in support of the consumables were not provided for audit verification.

1165.In the circumstances, the accuracy of inventories balance of Kshs.2,298,320 as at 30 June, 2021 could not be confirmed.

Management Response

1166.The inventories reported in the financial statements for the year 2020/2021 were supported.

Committee Observation

1167.The matter is resolved. The stocktaking report for consumable inventory was provided.

14.2.3 Unconfirmed Biological Assets

1168.The statement of financial position reflects biological assets balance of Kshs.2,885,000. However, the valuation report or stock take report for the biological assets was not provided for audit verification. Further, the biological assets balance does not include the value of sixty-six (66) pigs and six (6) sheep.

1169.In the circumstances, the accuracy of biological assets totalling Kshs.2,885,000 as at 30 June, 2021 could not be confirmed.

Management Response

1170. A stock-taking report has been provided**.** The 66 pigs and 6 sheep were included in the financial statements for the year 2021/2022.

Committee Observation

1171.The matter is addressed. The explanation provided was satisfactory

14.2.4 Property, Plant and Equipment- Land without Ownership Document

1172.The statement of financial position reflects property, plant and equipment balance of Kshs 2,184,436,067 as detailed in Note 20 to the financial statements. Included in the balance is land valued at Kshs.1,080,000,000. However, the title deed for the land was not provided for audit verification.

1173.In the circumstances, the accuracy and ownership of land valued at Kshs.1.080,000,000 as at 30 June, 2021 could not be confirmed.

Management Response

1174.The Board of Trustees have assigned the institute to operate within 200 acres. The letter of request for land ownership documents and BOG minutes dated 19 October 2022.

Committee Observation

1175.The matter is still outstanding. The title deed was not provided.

Committee Recommendation

1176. Management must fast-track the process and ensure the title is obtained within 6 months after this report is adopted by the House.

14.2.5 Motor Vehicles not Registered in the Name of the Institute

1177.Included in the property, plant and equipment balance of Kshs.2,184,436,067 is motor vehicle balance of Kshs.13,127,976 as reflected in Note 20 to the financial statements. Review of documents revealed that, the Institute is in possession of seventeen (17) motor vehicles and one (1) motor cycle. However, eight (8) motor vehicles and the motorcycle were not registered in the name of the Institute. Further, the terms under which the motor vehicles are held by the Institute were not provided.

1178.In the circumstances, the ownership of the eight motor vehicles and one motorcycle could not be confirmed.

Management Response

1179.The vehicles are under the name of Rift Bakers Food and Beverage Processing Limited a company which is a 100% subsidiary of RVIST.

Committee Observation

1180.The ownership documents are in the name of Rift Bakers Food & Beverage Processing Limited, which is 100% owned by RVIST.

Committee Recommendation

1181.The institution should register the vehicles jointly with Rift Bakers Food & Beverage Processing Limited to ensure proper tracking and accountability.

14.2.6 Lack of an Updated Assets Register

1182.This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

14.2.7 Unconfirmed Revaluation Reserves

1183.This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

14.2.8 Unsupported Local Transport and Travel

1184. The statement of financial performance reflects use of goods and services expenditure of Kshs.156,338,339 as disclosed in Note 11 to the financial statements. The expenditure includes local transport and travel amount of Kshs.9,177 ,179, which further includes fuel, oil and lubricant expenditure of Kshs.2,044,628. However, the fuel drawn was not recorded in the motor vehicle work tickets.

1185. In the circumstances, the accuracy and completeness of fuel, oil and lubricant expenditure of Kshs.2,044,628 could not be confirmed.

Management Response

1186. We have attached the fuel schedule for all vehicles, the fuel register and a sample of work ticket registers.

Committee Observation

1187. The matter is resolved. A breakdown of expenditure and a sample of the fuel register and work tickets provided.

14.2.9 Unsupported Employee Costs

1188. This matter has been addressed by the committee in the previous financial year and the committee reiterated its recommendations.

14.2.10 Procurement outside e-Procurement System

1189. The statement of financial performance reflects repairs and maintenance expenditure of Kshs.46,957,806 as disclosed in Note 14 to the financial statements. However, the procurement was not done through e-Procurement. This is contrary to Regulation 50(1) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that a procuring entity intending to use an e-Procurement system shall prepare its annual procurement plan through the system and upload it in the State Portal.

1190. In the circumstances, Management was in breach of the law.

Management Response

1191. The Institute is currently in the process of acquiring an ERP system that can be integrated with the State Portal that will enable e-procurement compliance.

Committee Observation

1192. Management is in the process of acquiring an e-procurement system.

Committee Recommendation

1193. Management to fast-track the acquisition of the ERP system and the office of the OAG to report on progress made in the subsequent audit.

15.0 ELDORET NATIONAL POLYTECHNIC

1194. Mr. Charles Koech, Chief Principal, accompanied by;

i. Mr. Emmanuel Meres- Deputy Principal

ii. Mr. Zachariah Koech- Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Eldoret National Polytechnic, on 12th June 2024.

15.1 Audited statements for Financial Year 2018/2019

15.1.1 Revaluation of Property, Plant & Equipment.

1195. The Statement of Financial Position as at 30 June 2019 reflects Property, Plant and Equipment of Kshs. 5,083,299,985 which is an increase by Kshs. 3,906,156,779.00 from the previous year's Kshs. 1,177,143,206 due to revaluations during the year amounting to Kshs. 3,900,569,299. Although the management provided an interim valuation report, it had not been adopted by the council for implementation.

1196. Consequently, the correctness, validity and accuracy of property, plant and equipment with a net book value of ksh.3,900,569,299 as at 30th June 2019 could not be confirmed.

Management Response

1197. The valuation report reference No. LANDS/GEN/SW/1803 was adopted in the council meeting of 21st October, 2019 as per attached minute No. 4.

Committee Observation

1198. The matter is resolved. The valuation report was approved and adopted.

15.1.2 Staff Production Unit Advances

1199. Included in receivable from exchange transaction figure of **Ksh.358,869,802.00** as at 30 June 2019 is an amount of **Ksh.19,147,166.00** representing Staff production unit advances, which

were due for recovery as at 30 June 2019 with some remaining outstanding since the year 2013.

1200. Further, it was observed that some officers with outstanding advances were transferred from the polytechnic and the amounts were not recovered. No reason was provided for not recovering these staff advances they fall due.

1201. Consequently, the recoverability of the staff production unit advances debt amounting to **Kshs. 19,147,166.00** is doubtful.

Management Response

1202. It is true staff production unit advances date back beyond the year 2013. Demand letters were issued to the defaulters. The outstanding balance then have been reduced to the current Kshs. 3,651,291.00 indicating a recovery of Kshs. 13,170,928 as at 30.6.2023.

Committee Observation

1203. The Committee notes that the staff advances of 2.3M was rectified as the Auditor General was satisfied with the Management's response, having verified the corresponding documentations.

1204. Further, the Committee noted the institution had an ongoing policy for the recoverability of the advances which should be actioned and resolved in the subsequent financial year 2020/2021.

15.1.3 Financial Performance

1205. During the year under review, the Polytechnic recorded a deficit of Kshs. 11,670,737 which increased the accumulated deficit from Kshs. 2,431,345 reported in the year 2017/2018 to accumulated deficit of Kshs. 14,102,082 as at 30 June, 2019. If strategies are not put in place to reverse the lossmaking trend, the institution's future operations are likely to face finance challenges leading to failure by the institution to sustain services to public.

Management Response

1206. The polytechnic undertook the following strategies to mitigate the trajectory of a buildup deficit:

i. Enrollment improved due to wide publicity including using Radio announcements to market the courses.

ii. Enhancement of income generating units.

iii. Courses were restructured and training was improved that led to better pass rates in the examinations, made the institution more popular and thus boosted enrolment.

iv. Strove to manage expenditure and improve on revenues.

1207. Upon the implementation of the above strategies, the Performance improved in 2019/2020 to Ksh. 34,090,696.00.

Committee Observation

1208. The Committee observes that the institution is technically insolvent; however, measures have been put in place to aid in the collection of funds for its sustainability.

Committee Recommendation

1209. The government should ensure the timely disbursement of capitation to learning institutions to help them run their functions effectively.

1210. The Committee further recommends the management of the institution to devise ways of making money such that they do no fully depend on government funding for their operations.

15.1.4 Late Submission of Financial Statements

1211. During the year under review, the management submitted the financial statements for the year ended 30 June 2019 to the Auditor General on 28 January 2020.Late submission of financial statements is contrary to the section 81(4) of Public Finance Management Act, Cap.412A and section 47 of Public Audit Act, Cap. 412 B which provide a statutory deadline of 30 September 2019 and adversely affect the planned audits by the office causing undue delay in meeting our statutory deadlines.

1212. In the circumstances, the management was in breach of the law.

Management Response

1213. The hard disk for the ERP Server crashed on 14th July 2019. This caused the delay in the completion of the financial statements on time. So far, the institution has put measures to acquire two other servers. One was dedicated to being a back-up server. Data has been saved in the cloud also. The auditor confirmed the status prior to the preparation of this response.

Committee Observation

1214. The Committee observed that the management did not submit financial statements on time as per the audit timelines.

Committee Recommendation

1215. Financial statements must be provided within the timelines prescribed by law. The Committee, in subsequent audits, will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

15.1.5 Salary structure implementation.

1216. Eldoret National Polytechnic has not implemented proposed new salary structure by the cabinet secretary Ministry of Public Service, Youth and Gender Affairs through circular No. MPSYG.DPSM. 2/6/4A Vol XI (21) dated 4 June 2018 but instead using salary structure of July 2012 proposed by circular No. MSPS 2/6/4A Vol X/(2) from the permanent secretary office of the prime minister.

1217. In circumstances, the management is in breach of the law.

Management Response

1218. The salary structure for 2012 was affordable to the institution. The latest structure Ref: No. MPSYG.DPSM.2/64A VOL XI (32) dated 2nd July, 2019was implemented in July 2022

Committee Observation

1219. The committee observed that the institution had an approved salary structure thus the issue is resolved.

15.1.6 Failure to observe one third rule.

1220. A review of personnel records availed during the audit exercise revealed that as at 30 June 2019. The Eldoret National Polytechnic had 11 governing council employees out of which

6 governing council members (55%) came from dominant community and 266 permanent and pensionable non-teaching employees out of which 209 (78%) come from dominant community.

1221. Further The Eldoret National Polytechnic recruited 25 new employees during the financial year which comprised of 5 positions advertised internally and 20 temporary employees whose terms changed to permanent and pensionable. However, it was established that out of the 25 new recruits 20 (80%) came from dominant ethnic community. This is contrary to requirement of Section 7(1) and (2) of the National Cohesion and integration Act 2008, that advocates for diversity in recruitment.

1222. Consequently, the management is in breach of the law.

Management response

1223. The management will progressively address the matter in the subsequent employments. Management has put in place measures to address regional balancing through competitive selection. The Governing council is under a different appointing authority which is remote to our control. With time, we will be able to address this issue as required by law.

Committee Observation

1224. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

1225. 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.

15.1.7 Non-payment of Leave Allowance

1226. An analysis of staff annual leave records for the year under audit review revealed that most of the employees had taken their annual leave. However, there was no evidence from the

payroll that leave allowance was paid to the employees who went on leave contrary to section 6.3a of the Eldoret Polytechnic Human Resource Management manual 2014/2015.

1227. Consequently, the management is in breach of the law.

Management Response

1228. Leave allowance was provided for in the manual but had not been implemented then due to insufficient finances. Subsequently, the allowances were paid in June 2021.

Committee Observation

1229. The Committee noted that the non-issuance of leave allowance was contrary to the manual adopted to the institution which negatively affects the welfare of staff within the institution.

Committee Recommendation

1230. Management must prioritize the settlement of the staff dues within six (6) months upon adoption of the report by the House.

15.2 Audited statements for Financial Year 2019/2020

15.2.1 Inaccuracies in the Financial Statements-Misstatement of Comparative Balances

1231. The statement of financial performance reflects administration and central services comparative figure of Kshs.290,580,162. However, Note 11 reflects a figure of Kshs.312,651,706 for the same item resulting to a variance of Kshs.22,071,544.

1232. In addition, Note 11 to the financial statements reflects comparative balances in respect to travelling, transport and accommodation expenses amount of Kshs.29,316,029 and tuition and related expenses amount of Kshs.43,780,252. However, the audited financial statements for the year ended 30 June, 2019 reflects travelling, transport and accommodation expenses figure of Kshs.34,309,971 and tuition and related expenses amount of Kshs.30,016,832 resulting in a variance of Kshs.4,993,942 and Kshs.13,763,420 respectively. Further, the statement of financial performance reflects marketing and expenses comparative figure of Kshs.14,600,182. However, Note 13 reflects marketing expense of Kshs.12,914,344 resulting to unexplained and unreconciled variance of Kshs.1,685,838.

Management response

1233. Note 11 supporting comparative figures were erroneously posted as Ksh. 312,651,700 instead of Ksh. 290,580,162 causing a comparison variance of Ksh. 22,071,544.

Committee Observation

1234. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee Recommendation

1235. The Committee reprimands the Accounting Officer for the errors and recommends that management ensures compliance with the provisions of International Accounting Standards when preparing financial statements.

15.2.2 Arithmetic Error in the Notes to the Financial Statements

1236. Note 11 to the financial statements reflects administration and central services comparative figure of Kshs.312,651,706. However, summation of the balances indicates a total of Kshs.303,882,236 resulting in a variance of Kshs.8,769,470.

Management response

1237. Note 11 was erroneously captured as stated on 1.2 above.

Committee Observation

1238. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee Recommendation

1239. The Committee reprimands the Accounting Officer for the errors and recommends that management ensures compliance with the provisions of International Accounting Standards when preparing financial statements.

15.2.3 Unsupported Prior Year Adjustments

1240. The statement of cash flow statement reflects prior year adjustment figure of Kshs.3,028,799 which has not been explained in the notes to the financial statements.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

Management Response

1241. The Ksh. 3,028,799, reflected as prior year adjustment on the cash flow statement, was an adjustment for;

i. Accrued tuition claims of **Kshs. 2,666,146** paid but was not included while disclosing previous year's obligations as per attached payment voucher on appendix 1 on page 18, instead was expensed in the current statement of performance, hence added back to reconcile the current deficit.

ii. Accrued tuition claims of **Kshs. 294,735** paid but was not included while disclosing previous year's obligations as per attached payment voucher on appendix 2 on page 18, instead was expensed in the current statement of performance, hence added back to reconcile the current deficit.

iii. Accrued tuition claims of **Kshs. 67,920.94** paid but was not included while disclosing previous year's obligations as per attached payment voucher on appendix 3 on page 20, instead was expensed in the current statement of performance, hence added back to reconcile the current deficit.

1242. All the above were mistakenly omitted as a disclosure in the notes.

Committee Observation

1243. The Committee observed with a lot of concern that the institution has a lot of errors in its financial statements.

Committee Recommendation

1244. The Committee reprimands the Accounting Officer for the errors and recommends that management ensures compliance with the provisions of International Accounting Standards when preparing financial statements.

15.2.4 Errors in the Statement of Comparison of Budget and Actual Amounts

1245. The statement of comparison of budget and actual amounts reflects a budget income amount of Kshs.592,057,837. However, the budgeted expenditure reflects a total of

Kshs.573,057,837 resulting to a budget variance of Kshs.19,000,000. Further, summation of the final budget figures for tuition fees and other incomes has been wrongly reflected in the statement as a nil balance instead of a total of Kshs.487,057,837

Management Response

1246. The variance was a surplus budget of Kshs. 19,000,000 to fund the capital expenditures only that it was not reflected in the financial statement. The same was approved in the budget for the year 2018/2019.

Committee Observation

1247. The Committee noted that the financial errors were unacceptable according to the IPSAS method of accounting.

Committee Recommendation

1248. The Committee reprimands the Accounting Officer for the errors and recommends that management ensures compliance with the provisions of International Accounting Standards when preparing financial statements.

15.2.5 Non-Maintenance Fixed Assets Register

1249. The statement of financial position as at 30 June, 2020 reflects property, plant and equipment figure of Kshs.5,110,095,115 comprising of land, building, work in progress, plant and equipment, furniture and fittings and motor vehicles whose total cost amounts to Kshs.5,362,619,422 as disclosed in Note 18 to the financial statements. However, there was no evidence to indicate that the Management kept and maintained a fixed assets register. This is contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulation, 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.

1250. In the circumstances, the existence, location and value of the Polytechnic's property plant and equipment could not be confirmed.

Management Response

1251. An assets valuer Ms Syncron Solutions Ltd, had been engaged by the institution and the exercise of tagging & valuation of assets was still on by the time of the audit. Hence it is true the register was not complete, but the process was on as per Memo on appendix 5 on

page 24 and an LPO appendix 6 on page 25. The assets Register has been completed and a hard copy is hereby presented for audit verification on 12th June 2024.

Committee Observation

1252. The Committee observes that the institution has established and operationalized an approved fixed asset register; therefore, the matter is considered resolved.

15.2.6 Unsupported Rental Revenue

1253. The statement of financial performance for the year ended 30 June, 2020 reflects rental revenue from facilities and equipment figure of Kshs.979,566. The rent was earned from members of staff housed by the Institution as disclosed in Note 5 to the financial statements. However, valuation reports and the lease agreements between the staff and the Management were not provided for audit review. Further, the Institution does not have a register of all rental housing units.

1254. Consequently, the accuracy and completeness of rental revenue from facilities and equipment figure of Kshs.979,566 for the year ended 30 June, 2020 could not be confirmed.

Management Response

1255. Copies of house lease agreements and a register for tenants which were kept on the ERP Module. A Sample of the register was provided.

Committee Observation

1256. The Committee observed that the valuation reports and lease agreements were provided to the Office of the Auditor General who was satisfied by the provided documentations thus the issue is resolved.

15.2.7 Unsupported Journal Entries

1257. The statement of financial performance reflects repairs and maintenance figure of Kshs.29,347,932 as disclosed in Note 10 to the financial statements which includes an amount of Kshs.24,661,763 relating to journal entries made in the repairs and maintenance account. However, the entries were not supported by journal vouchers, sufficient explanations and documentations. In addition, no documentary evidence was provided for audit review to indicate that the entries were authorized by the accounting officer as

required by Regulation 103(1,2) of Public Finance Management - (National Government) Regulations 2015.

1258. Consequently, the accuracy of repairs maintenance expenditure totaling to Kshs.29,347,932 for the year ended 30 June, 2020 could not be confirmed.

Management Response

1259. Copies of authorized journal vouchers NO.668558, 668024, 667930,667940 & 651485 indicating narrations for posting to the correct vote-heads was provided for verification on accuracy of the repairs & maintenance as were crossed checked with the payment vouchers which were passed and approved for payment totaling Ksh.29,173,752.

Committee Observation

1260. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.2.8 Unsupported Outstanding Advances

1261. The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions figure of Kshs.256,161,905 which includes advances from production unit staff figure of Kshs.17,701,119 as disclosed in Note 15 to the financial statements. However, aging analysis of staff advances and evidence of the measures put in place to ensure full recovery of advances were not provided for audit review. Further, The Management had not made any provisions for bad and doubtful debts in the financial statements.

1262. Consequently, the accuracy of advances to production unit staff amounting to Kshs.17,701,119 as at 30 June, 2020 could not be confirmed and public funds may be lost if the staff advances are not recovered.

Management Response

1263. It is true that staff production unit advances date back beyond the year 2013. Recovery of the outstanding balances is on progress as per the attached production unit GL which indicates a recovery of Kshs. 1,446,047 during the financial year.

Committee Observation

1264. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.2.9 Unreceipted Deposits and Transfers

1265. The statement of financial position reflects trade and other payables from exchange transactions figure of Kshs.205,023,820 as disclosed in Note 19 to the financial statements. This amount includes bursaries receipts figure of Kshs.36,558,222, bank deposits of Kshs.16,670,884 and student smart card collections of Kshs.5,053,535 all totalling to Kshs.58,282,641 that had not been receipted and posted to the relevant revenue streams.

1266. Consequently, the completeness and accuracy of the trade and other payables from exchange transactions figure of Kshs.205,023,820 as at 30 June, 2020 could not be confirmed.

Management Response

i. Unallocated bursary receipts of Ksh.36,558,222.00

1267. The income had been received and official receipts issued as was reflected in the financial statements. The amount had not been distributed to the respective student accounts because of the following reasons.

i. List of beneficiaries had not been received from the sponsors as at the close of business dated 30th June, 2020.

ii. Inadequate student details on the cover letters from sponsors i.e., Admission numbers and incorrect names of the beneficiaries. We have carried files containing hard copy letters to CDF fund managers.

1268. The respective beneficiary accounts were posted or credited immediately the details were provided by various NG-CDF fund managers, County Governments and other sponsors.

ii. Unreceipted Deposits of Kshs. 16,670,884.00

iii. The above amount relates to direct deposits made by various customers into the polytechnics account and had not surrendered bank slips for receipting as at the close of business dated 30th June, 2020.That was a bank reconciliation item posted to the Unreceipted effects vote for accounting disclosure purposes.

1269. The amount was receipted in the subsequent year upon surrender of deposit slips by students. Attached is the General Ledger of un-receipted deposits accounting for the deposits.

iii. Equity Bank Kshs 5,053,535

1270. This is an amount received by the institution on behalf of equity bank in respect to smart cards issued to our students by the bank. The amount was held by the institution pending completion of issuance of the cards to the students and the amount would be remitted to bank.

1271. The transaction General Ledger is hereby attached for verification. See appendix 13 on page 42. Payment Voucher NO.23013 dated 6th November 2020 for Kshs. 3,737,500 and No. 26430 dated 9th November 2021 for Kshs. 1,316,500 are presented for verification.

Committee Observation

1272. The Committee observed that the list of beneficiaries had not been received from the sponsors and monies received without the accompaniment of receipts.

Committee Recommendation

1273. The Committee recommends that all disbursing entities should provide a list of beneficiaries to learning institutions for the balancing of financial statements.

15.2.10 Budgetary Control and Performance

1274. The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.592,057,837. However, actual receipts amounted to Kshs.544,000,302 which includes unbudgeted for funds amounting to Kshs.9,993,933 resulting to an underfunding of Kshs.48,057,535 or 8% of total revenue budget. Similarly, the Polytechnic had an approved expenditure budget of Kshs.623,014,337 which comprised of development vote budget of Kshs.49,956,500 and recurrent vote budget of Kshs.573,057,637. However, the Polytechnic expended a total of Kshs.555,391,341 resulting to an under expenditure amounting to Kshs.67,622,996 or 11% of the budget.

1275. The underfunding and under expenditure may have affected the implementation of approved projects or programmes and therefore denied the intended beneficiaries the benefits accruing from completed projects.

Management Response

1276. A budget under funding and under expenditure was due to lockdowns because of Covid-2019 pandemic as most programmes were affected.

Committee Observation

1277. The Committee observes that underfunding of the learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

1278. The Committee further observed that the institutions were over-reliant of government capitation, and did not exploit their own income-generating internal capacity and potential.

Committee Recommendations

1279. The Committee recommends that the Ministry of Education address the issue of inadequate funding in higher education institutions.

1280. 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.

15.2.11 Unresolved Prior Year Matters

1281. There were issues raised in the audit report for 2018/2019 financial year. However, no report or recommendations from Eldoret National Polytechnic Management and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, Cap. 412A which require accounting officers designated for national government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

1282. Management has made efforts towards the implementation of the recommendations of the auditor.

Committee Observation

1283. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.2.12 Non-Compliance with the Financial Reporting Template

1284. The financial statements for the year ended 30 June, 2020 were prepared in accordance IPSAS (Accrual Basis) Financial Reporting framework and applicable government legislations and regulations. However, following anomalies were noted;

i. Statement of adoption of new revised and revised standards in not included in the financial statements.

ii. Financial risk management and related party transactions have not been included in the financial statements.

iii. The following annexes are not included in the financial statements: progress on follow up on audit recommendations, project implementation status, inter entity transfers and reconciliation of transfers from other entities.

iv. The report of the governing council erroneously indicates that the results of Institution are shown on Pages 1-5 instead of Pages 21-25. Further, the report indicates that particulars of governing council members is on Page v-x instead of Page 1-5.

v. The statement of financial position reflects note XIII in respect of revaluation reserves, accumulated surplus, GOK exchequer grants and donated noncurrent assets. However, the corresponding notes was not included in the notes to the financial statements.

1285. Consequently, the financial statements were not prepared in accordance with TVET financial reporting template approved by the Public Sector Accounting Standards Board.

Management response

1286. The new template for reporting has been adopted subsequently and the errors were corrected in the financial statements for the year 2020/2021. We have carried physical hard copies of the Financial Statement for the financial year 2020/2021 for verification of implementation.

Committee Observation

1287. The Committee observed that the matter has been rectified in subsequent audits.

15.2.13 Employees with Net Earnings of Less than a Third of Basic Salaries

1288. The statement of financial performance for the year ended 30 June, 2020 reflects compensation of employees' figure of Kshs.197,038,420 which includes an amount of Kshs.138,183,484 relating to basic salaries of permanent employees. Examination of the payroll for the year ended 30 June, 2020 revealed instances of employees of Polytechnic receiving net salaries which is less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, Cap.226.

1289. Consequently, the Management is in breach of the law and there is risk of staff suffering from pecuniary embarrassment as they may not be able to meet their financial obligations.

Management Response

1290. It is true that there were several officers who had overcommitted their salaries to the extent that they were in breach of 1/3 rule. The college noted this and had taken measures to address the issue by a memo written to the chairperson of both Eldo-poly SACCO and WELFARE to instruct that any further loan application by staff shall be vetted by human resource office before approval by the officials as shown by the attached letter REF: TENP/HRO/01/VOL3 dated 10th September 2019.

Committee Observation

1291. Management explained that measures had been put in place to address the issue that arose because of the implementation of additional levies, when most officers had already committed their pay slips.

15.2.14 Failure to Observe One Third Rule on Staff Composition

1292. Audit review of personnel records revealed that during the year ended 30 June, 2020, the Polytechnic had a total staff of 296 and 11 council members. However, the Council had six (6) members or 55% who were from the dominant community. Further, four (4) senior management staff or 67% were from the dominant community while 235 of other permanent staff or 81% were from the dominant community contrary to section 7 (1) and (2) of National Cohesion and Integration Act, Cap.7N that advocates for diversity in recruitment.

1293. Consequently, the Management of the Polytechnic is in breach of the Law.

Management Response

1294. We undertake to be compliant with the legal provision of the National Cohesion and Integration Act, Cap. 7N in the future. Job advertisements have always been done competitively at the polytechnic through internal or external advertisements as shown by the attached job adverts folio numbers **87** and **105** and the best candidates given an opportunity.

Committee Observation

1295. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.2.15 Non-Submission of Monthly Financial and Non-Financial Budgetary Report

1296. During the year under review, the Polytechnic had an approved budget of Kshs.623,014,337 which comprised of development vote budget of Kshs.49,956,500 and recurrent vote budget of Kshs.573,057,637. However, there was no evidence availed for audit review to indicate that management prepared and submitted monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General contrary to Regulation 55(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a national government entity to submit, not later than the tenth day of each month, monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General.

1297. Consequently, the Management is in beach of the law.

Management Response

1298. The GIMIS portal had not been sensitized fully in TVET and neither had the requisite training been administered by the time of audit. We complied with effect from January 2022.

Committee Observation

1299. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.2.16 Failure to Open a Project Bank Account

1300. The statement of financial position reflects payables from exchange transactions figure of Kshs.205,023,820 which includes Ministry of Education outstanding grant amount of Kshs.3,542,029 as disclosed in Note 19 to the financial statements for the completion of the construction of Bomet Technical Training Institute; a project which the Management was undertaking on behalf of The Ministry of Education. However, the Management did not open a separate bank account for the project. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015. Further, Management did not maintain a separate deposit bank account and deposit ledger to account for the retention funds deducted from the contractors' payments.

1301. Consequently, the Management was in beach of the law.

Management Response

1302. The project account was not opened. Currently, the project has been completed and all payments including the balance of Kshs 3,542,029 as at 30th June 2020 have been made and a certificate of completion was issued by the Public Works. The project was handed over to Moi University.

Committee Observation

1303. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.2.17 Lack of Inventory Management Policy

1304. The statement of financial position as at 30 June, 2020 reflects inventory amounting to Kshs.3,035,835. However, the Polytechnic did not have an inventory management policy to provide formal guidance on the management of inventory contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

1305. Consequently, the Institution is likely to incur stock losses and unaccountability of inventories due to lack of an inventory management policy.

Management Response

1306. The polytechnic has now so far complied with the recommendation in the subsequent period by developing a Procurement policy that contains other line items including inventory policy.

Committee Observation

1307. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified an approved and functional inventory management policy.

15.2.18 Data Centre Environment and Outdated Student Management System Server

1308. Audit review of Institution's information and communication technology systems revealed that the Institution uses a multifunctional student management system with a web portal to provide transparent and comprehensive information about study progress and includes a library management system. The system also controls applications and student registration processes. The Institution also runs Gigasoft, a proprietary enterprise resource planning (ERP) system. However, the following observations were made:

i. The Institution is using an outdated server to run the student management system. ii.

ii. The Institution does not have a back-up server on standby to mitigate against hardware failure of the student management system server.

iii. The ICT Data Centre room lacks: access control system to restrict and monitor access to the server room, a backup air conditioning equipment, an environmental monitoring system to monitor the humidity and temperature in the Data Centre.

iv. The existing closed-circuit television (CCTV) system has also not been extended to the Data Centre.

v. A backup uninterruptible power supply (UPS) device exists in the Data Centre but has not been installed and connected to the server cabinets.

1309. Consequently, there is a risk of data loss or prolonged downtimes in the event of a disaster or equipment hardware failure.

Management Response

Observation 1.

1310. The institution is using an outdated server which has reached its end-of-life to run the student management system.

Resp*onse*

1311. The said server has been replaced with a newer version as shown in the picture.

Observation 2.

1312. The institution does not have a backup server on standby to mitigate hardware failure of the student management system server.

Resp*onse*

1313. The institution had two servers; the Main server and backup server as shown below were shown to the auditor later.

BACKUP SERVER: CZ24410SJ2

Observation 3.

1314. The ICT data Centre room lacks: Access control system to restrict and monitor access to the server room, air conditioning equipment, an environmental monitoring system to monitor the humidity and temperature in the data Centre.

Management Response

1315. The institution lacked an access control system to the server room at the time of audit. The institution completed the construction of a grilled door and a locked door to control access.

1316. The institution has completed the installation of air conditioning equipment, an environmental monitoring system to monitor the humidity and temperature in the data Centre as was recommended by the auditor.

Observation 4.

1317. The existing closed-circuit television (CCTV) system has not been extended to data Centre.

Management Response

1318. The server/Control room has now been installed with a surveillance CCTV camera as was recommended by the auditor.

Observation 5.

1319. A backup uninterruptible power supply (UPS) device exists in the data Centre but has not been installed and connected to the server cabinets.

Management Response

1320. The institution has installed the backup uninterruptible power supply (UPS) device in the server cabinets.

Committee Observation

1321. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified a functional system.

15.2.19 Non-Adoption of Valuation Report on Property, Plant and Equipment

1322. The statement of financial position as at 30 June, 2020 reflects property plant and equipment figure of Kshs.5,110,095,115, whose cost figure is Kshs.5,362,619,422 as disclosed in Note 18 to the financial statements. According to interim valuation report dated 26 February, 2019, referenced No. LANDS/GEN/SW/1803 valuation was done on fixed and loose assets of the Polytechnic by registered a valuer. However, two (2) years after receiving the valuation reports, the Council has not adopted the report for implementation and it is not known when the report will be adopted.

Management Response

1323. The valuation report reference No. LANDS/GEN/SW/1803 was adopted in the council meeting of 21st October 2019

Committee Observation

1324. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the valuation report.

15.2.20 Lack of an Approved Policy on Income Generating Activities

1325. The statement of financial performance reflects other income figure of Kshs.9,014,367 comprising of farm income, rental of physical facilities and services, guest house and conferences fees and disposal of obsolete assets as disclosed in Note 6 to the financial statements.

1326. However, the Management does not have an approved policy for income generating activities (IGUs) contrary to Section 11(2)(b) of The Eldoret National Polytechnic Order, 2014 which states that the functions of the Board shall include assisting the principal in the

day to day management of the National Polytechnic and shall, in this respect, be responsible for making proposals to the Council and the Academic Board on policies that have application across the entire Institution.

1327. Consequently, the Management may not effectively and efficiently manage the income from income generating activities without an approved policy.

Management Response

1328. The IGU policy was still in a draft form. The same has been approved.

Committee Observation

1329. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified the existence of an approved and functioning policy.

15.3 Audited Statements for Financial Year 2020/2021

15.3.1 Unconfirmed Balances

1330. Several balances reflected in the financial statements were not supported with sufficient appropriate records, as discussed in the following paragraphs:

15.3.2 Receivables from Exchange Transactions

1331. The statement of financial position reflects receivables from the exchange transactions balance of Kshs. 120,984,893 as disclosed in note (27) to the financial statements. The balance includes staff production unit advances totaling to Kshs. 17,151,875 and sundry debtors totaling to Kshs 8,989,955 that have been outstanding for several years. In addition, note 36(a) to the financial statements reflects provision of doubtful debts totaling to Kshs.4,374,559, being 5% of the outstanding receivables. However, the provision was not netted off against gross fees totaling to Kshs 88,491,170 reflected in the statement of financial position.

1332. In the circumstances, the extent of recoverability of receivables from exchange transaction balance totaling to Kshs. 26,141,830 that is (Sundry Debtors of Ksh.8,989,955 and Staff Advance P.U of Ksh.17,151,875) will not be confirmed.

Management Responses

1333. Demand letters were issued to the holders of the outstanding Staff P.U advances to aid in the recovery of the receivables as evidenced by the attached samples of the demand letters.

1334. The production unit General Ledger attached herewith indicates a recovery of Kshs. 549,244.36 during the year.

1335. The outstanding balance then was reduced to the current Kshs. 3,651,291.00 indicating a recovery of Kshs. 13,170,928 as at 30.6.2023.

1336. The management is committed to the recovery of the outstanding debts and to provide 5% of doubtful debtors in the subsequent period and to net-off as recommended by the auditor.

Committee Observation

1337. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified requisite documentations.

15.3.3 Trade and Other Payables from Exchange Transactions.

1338. The statement of financial position reflects trade and other payables from exchange transactions balance totaling Kshs. 185,853,138 as further disclosed in Note 34 to the financial statements. The balance includes National Government Constituencies Development Fund (NGCDF) and other bursaries totaling Kshs. 40,519,087, un-receipted bank deposits, totaling Kshs. 26,675,387 and student smart card balances totaling Kshs. 1,316,535 that had not been receipted and debited to the respective student's accounts.

1339. In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions balance totaling Kshs. 68,511,009 included in the aggregate balance of Kshs 185,853,138 reflected in the financial statements could not be confirmed.

Management Response

i. CDF and Other Bursaries Amount of Kshs. 40,519,087.

1340. The income had been received and official receipts issued as was reflected in the financial statements. The amount had not been distributed to the respective student accounts because of the following reasons.

i. List of beneficiaries had not been received from the sponsors as at the close of business dated 30th June, 2021.

ii. Inadequate student details on the cover letters from sponsors i.e., Admission numbers and incorrect names of the beneficiaries. A sample of a letter to CDF fund manager is attached. See appendix 3 on page 16.

1341. The respective beneficiary accounts were posted or credited immediately the details were provided by various NG-CDF fund managers, County Governments and other sponsors.

ii. Un-Receipted Bank Deposits of Kshs. 26,675,387

1342. The above amount relates to direct deposits made by various customers into the polytechnics account and had not surrendered bank slips for receipting as at the close of business dated 30th June, 2021. That was a bank reconciliation item posted to the Unreceipted effects vote for accounting disclosure purposes.

1343. The amount was receipted in the subsequent year upon surrender of deposit slips by students.

iii. Equity bank Kshs 1,316,535

1344. This is an amount received by the institution on behalf of equity bank in respect to smart cards issued to our students by the bank. The amount was held by the institution pending completion of issuance of the cards to the students and the amount would be remitted to bank.

1345. The transaction General Ledger is hereby attached for verification.

Committee Observation

1346. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.4 Property, Plant and Equipment

1347. The statement of financial position reflects the property, plant, and equipment balance of Kshs. 5,101,141,339 as further disclosed in note 31 to the financial statements. Records on the balance indicated that the revaluation of the polytechnic's assets was carried out in 2019 but the respective report had not been submitted to the governing council and its contents incorporated in the books of the polytechnic as at 30th June 2021.

1348. In the circumstance, the valuation and completeness of the property Plant and Equipment balances totaling to Kshs 5,101,141,339 could not be confirmed.

Management Response

1349. In the meeting of the governing council held on 21st October 2019, the valuation of the assets was deliberated and adopted to form Revaluation Reserve account as per Minute No.4 indicating that the new revaluations amounted to Kshs. 3,900,569,299.

Committee Observation

1350. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.3.5 Discrepancies in Financial Statements

1351. The financial statements contained the following inaccuracies:

i. The statement of financial performance reflects comparative use of goods and services expenditure totaling Kshs. 218,796,872 while Note 15 reflects Kshs. 239,221,316 resulting to unexplained variance of Kshs. 20,424,447.

ii. The statement of Financial Performance reflects provisions totaling Kshs. 6,130,743 instead of Kshs. 6,710,743 being the difference of last year's provision totaling Kshs. 11,085.302 and current years provision of Kshs. 4,374,559.

iii. The Statement of Cash Flow erroneously reflects prior year adjustment totaling Ksh.202,934 under adjustment for non-cash income and expenses. However, the adjustments were not disclosed in the statement of Financial Performance.

iv. The Statement of Cash Flows erroneously reflects Biological Asset with a negative Book Value of Kshs. 1,431,700 under working Capital instead of investing activities.

v. The Statement of Cash Flows erroneously reflects change of provisions negative **Kshs. 6,710,743** under working Capital instead of under adjustments for non-cash income and expenses.

vi. Note 36(a) to the financial statements erroneously reflects **Kshs. 580,000** being provision for accrued audit fees, under Provisions instead of trade payables.

Management Response

1352. The errors in (i) through (v) were noted and have been corrected as were recommended by the auditor in the subsequent periods.

Committee Observation

1353. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.6 Budgetary Control and Performance

1354. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.709,000,000 and Kshs. 425,092,839 resulting in a shortfall of revenue totaling to Kshs. 283,907,161 or 40% of budget. Similarly, the Polytechnic spent Kshs. 531,208,613 out of the approved expenditure budget of Ksh.709,000,000 resulting in an under expenditure of Kshs. 177,791,387 or 26% of the budget.

1355. The shortfall of revenue and under expenditure affected planned activities and may have hampered service delivery to the students and other stake holders of the polytechnic.

Management Response

1356. A decrease in the actual amounts of receipts compared to the budget was because of a decrease in fees collection and other business enterprise collection including sale of goods, disposals, rental, and agency incomes. The decrease was alluded to the effects of Covid-19 during the year. Similarly, there were the same effects on the side of expenditure because the college had closed for during that period.

Committee Observation

1357. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.7 Lack of ethnic diversity in staffing

1358. Review of personnel records indicated that the polytechnic had a staff establishment of two hundred and sixty-seven (267) employees, out of whom two hundred and twenty-five (225) or 84% were from the dominant community in Uasin-Gishu county. Therefore, only forty-two (42) or 16% of staff were drawn from other ethnic communities. This was contrary to section 7(1) and section and section 7(2) of National Cohesion and Integration Act, Cap. 7N which requires all public establishment to seek to represent the diversity of people of Kenya in the employment of staff and that no public establishment shall have more than third of its staff from the same ethnic community.

1359.In the circumstances, Management was in breach of the law

Management response

1360.The management has progressively addressed the matter in the subsequent employments. Management has put in place measures to address regional balancing. With time, we will be able to address this issue as required.

Committee Observation

1361.The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.8 Uncompetitive recruitment

1362.Expenditure records indicated that ksh.4,299,280 was spent on wages paid to thirty-seven (37) casuals and one hundred and eighteen (118) trainers under governing council terms at a total cost of Kshs. 16,772,675 employed by the Polytechnic during the year. However, there was no documentary evidence that the principal declared the vacancies to the governing council, advertisement of vacancies of trainers were done and confirmation of funds in the budget for hiring casuals during the year. As a result, the hiring of casuals and governing council trainers at a cost of Kshs. 4,299,280 and Kshs. 16,772,675 respectively was irregular.

1363.Consequently, the Management is in breach of Section 2.7.4 (c) of human resource policy manual of Eldoret polytechnic requires that the principal shall declare to the board in accordance with the procedures set out in the manual, all vacant posts within the establishment, which are to be filled substantively in an acting capacity.

1364.In circumstance, management was breach of the law.

Management response

1365.In the Financial year 2020/2021, the polytechnic had a provision in its approved budget of Kshs.232,286,688 for employee cost. The element of the recruitment of extra Governing Council trainers and other non-teaching staff was included in that budget. In fact, the budget surplus was Ksh.43,389,565 indication that the vote was not overspent. That was to cushion the institution from the shortfall on its Curriculum Based Education. The Human Resource Policies and Procedures Manual Section 2.7.4(c) requires that the CEO/Principal may however authorize the hiring of previously but competitively hired temporary

members of staff/interns where appropriate. The governing council trainers in question had been hired competitively in the interviews that were done at respective departments in line with Section 2.7.4(b). We have provided a file for the processes to verify the same.

Committee Observation

1366. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.9 Failure to submit monthly reports.

1367. Review of expenditure records indicated that management did not prepare and submit monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General contrary to Regulation 55(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a national government entity to submit, not later than the tenth day of each month, monthly financial and non-financial budgetary reports to the National Treasury with copies to the Controller of Budget and the Auditor-General.

1368. In the circumstances, the Management is in breach of the law.

Management response

1369. The GIMIS portal had not been sensitized fully in TVET and neither the requisite training had not been administered by the time of audit. We have now complied with the requirements in the subsequent period.

Committee Observation

1370. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.3.10 Failure to maintain a fixed assets register.

1371. The statement of financial position as of 30 June, 2021 reflects property, plant and equipment balance of Kshs. 5,101,141,339 comprising of land, building, work in progress, plant and equipment, furniture and fittings and motor vehicles whose total cost amounts to Kshs. 5,408,339,909 as disclosed in note 31 to the financial statements. However, there was no documentary evidence to show management kept and maintained a fixed assets

register contrary to Regulation 143(1) of the Public Finance Management (National Government) Regulation, 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.

1372. In the circumstances, management was breach of the law.

Management response

1373. The institution engaged a valuer to carry out asset valuation and as such an assets register has been developed in the subsequent period and a hard copy is available for verification.

Committee Observation

1374. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.4 Audited statements for Financial Year 2021/2022

15.4.1 Unsupported receivables from exchange transactions

1375. The statement of financial position as disclosed in Note 27(a) to the financial statement reflects receivables from exchange transactions balance of Kshs.300,194,316 which includes students debtors of Kshs.266,368,880, However no aging analysis was provided for student debtors to confirm how long they have been outstanding, and, it is not clear how the Management of the Polytechnic intends to recover the outstanding amounts as it does not have a clear debt recovery policy. Further, Note 36(a) to the financial statements discloses a provision on doubtful debts totaling Kshs 13,318,444 being 5% of the outstanding fees receivables. However, the provision was not netted off against gross fees (student debtors) totaling to Ksh.266,368,880 reflected in the statement of financial position.

1376. Further the receivables from exchange transactions balance includes staff production unit advances amount of Kshs.16,958,653. However, the Management has not put in place measures to ensure full recovery of advances and there was no documentary evidence to show that the management has made any provisions for the advances that may not be recoverable.

1377. In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs 283,327,533 could not be confirmed.

Management response

a. Student debtors

1378. The student debtors aging analysis totaling to Ksh.266,368,880 for the period ending 30th June 2022 is hereby provided for your verification. A soft copy of the same has been provided. Provision on doubtful debts has been affected in the subsequent period.

1379. The polytechnic has a finance policy and in it is the debt recovery procedures captured in chapter 4 of the Finance Manual and Policy booklet. Most of the outstanding fees debtors is attributed to unremitted student capitation.

b. Staff Production Unit Advances.

1380. Staff production Unit Advances amounting to Kshs.16,958,653, has been fully recovered.

Committee Observation

1381. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.2 Unsupported property, Plant and Equipment Balance

1382. Reflects property, plant and equipment balance of Kshs. 5,059,865,214 comprising of land, building, work in progress, plant and equipment, furniture and fittings and motor vehicles. However, the management does not maintain a fixed asset register as required by Regulation 143 (1) of the Public Financial Management (National Government) Regulations, 2015.

1383. Further, review of records revealed that a revaluation of the polytechnics assets was carried out in 2019 but the respective report had not been submitted to the governing council and its content incorporated in the books of the polytechnic.

1384. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs 5,059,865,214 could not be confirmed.

Management response

i. Fixed Assets Register

1385. To date, an asset register has been completed and was availed for verification by the auditors.

ii. **Adoption of revalued assets by the Governing Council**

1386. In the meeting of the governing council held on 21st October 2019, the valuation of the assets was deliberated and adopted as

Committee Observation

1387. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.3 Unsupported Trade and Other payables from Exchange Transactions

1388. The statement of financial position as disclosed in note 34 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs. 157,056,962 which include national Government Constituency Development Fund (NGCDF) and other bursaries totaling Kshs.31,856,484 and Un-receipted Bank deposits totaling Kshs.23,250,417 that had not been receipted and debited to the respective students accounts

1389. In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs. 55,106,910 could not be confirmed.

Management response

1390. The National Government Constituency Development Fund (CDF) and other Bursaries amounting to **Kshs 31,856,484** had been accounted for as a liability for monies held on behalf of third parties having receipted as credit balances or liability accounts.

1391. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.4 Un-receipted Bank Deposits amounting to Kshs. 23,250,417:

1392. These relate to customers' direct deposits to our bank accounts. The deposit slips had not been presented for allocation to respective beneficiaries as at the close of the financial year; however, the amounts were receipted in the subsequent financial year.

1393. We have cumulatively accounted for the same as a liability for monies held but due to third parties. The same will be allocated once the respective owners present the banking slips

1394. Missing student details from respective sponsoring bodies was attributed to non-allocation to respective beneficiaries. We have accounted for the same funds as money held but due to third parties. To date, the NG-CDF balances have all been dispensed off after making

Committee Observation

1395. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.5 Budgetary Control and Performance

1396. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 709,700,000 and Kshs 844,770,291 respectively resulting to an over-funding of Kshs 135,070,291 or 19% of the budget. Similarly, the polytechnic expended Kshs 740,178,913 against an approved budget of Kshs 709,700,000 resulting to an over-expenditure of Kshs 30,478,913 or 4% of the budget. The approval for the over-expenditure was not provided for audit. Further, it was noted that the polytechnic had an unbalanced budget in that the final revenue budget and final expenditure budget amount did not agree.

Management response

1397. The over-funding of Kshs.135,070,291 or 19% of the budget was because of increased number of trainees admitted compared to what was expected and more conferences /seminars hosted by the institution as Income Generating Unit. The increased enrolment was attributed to the introduction of the new funding model by the government which attracted the less fortunate trainees. Hosting of conferences/seminars was attributed to the directive for government institutions to hold their meetings in government owned institutions.

Expenditure Analysis

1398. The over-expenditure of Kshs.30,478,913 or 4 % of the budget was associated to the cost of hosting conferences/seminars

Committee Observation

1399. The Committee observes that under funding of the learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

1400. The Committee further observed that the institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1401. The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of inadequate funding in higher education institutions.

1402. 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.

15.4.6 Revenue from Exchange Transaction-Student Capitation

1403. The statement of financial performance reflects rendering of services-tuition fees & other incomes of Kshs.771, 585,301 for the year under review which includes tuition fees of Kshs.448,036,946 as disclosed in Note 10 to the financial statements. According to a letter referenced No. TENP/FIN/10/VOL3/106 dated 10 January 2023; the institution did not receive a total amount of Kshs. 45,780,000 for student capitation for the year ended 30 June 2022. Further, according to the records available, the institute had ten thousand eight hundred and ninety-five students (10,895) during the year which translates to fee subsidy of Kshs. 326,850,000. However, the institution received a total of Kshs.245, 137,500 from the State Department for Vocational and Technical Training resulting to total under funding of Kshs.127, 492,500

1404. In the circumstances the shortfall of student capitation revenue may affect planned activities and may have hampered service delivery to the students and other stakeholders.

Management response

1405. Ref No. TENP/FIN/10/VOL3/106 dated 10th January 2023 and we are looking forward to receiving capitation in arrears.

Committee Observation

1406. The Committee observed that the institution did not receive capitation as expected thus defaulting their budgets and subsequently their operations

Committee Recommendation

1407. The Committee recommends that the Ministry of Education makes deliberate efforts to fund learning institutions to ensure their smooth operation

1408. Further, the Committee recommends the institution to devise other means of raising funds not to entirely depend on government funding.

15.4.7 Unresolved Prior year Matters

1409. Several issues were raised in the previous years which have not been resolved by the management

Management response

1410. These matters are currently being addressed by the PIC and the management awaits any recommendations made for implementation.

Committee Observation

1411. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.8 Non-compliance with One-third of basic salary rule

1412. During the year ended 30 June 2022, six (6) employees earned a net salary of less than a third (1/3) of the basic salary contrary to section C.1(3) of the public service commission (PSC) Human resource policies, 2016. The management has not given an explanation for the failure to comply with the policy. In the circumstance, the polytechnic contravenes section C.1(3) of the public service commission (PSC) Human resource policies, 2016 and this may expose the staff to pecuniary embarrassment

Management response

1413. The affected officers were on suspension hence were on half-pay at the time of audit. The same were reinstated to full pay when their cases were concluded.

Committee Observation

1414. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

15.4.9 Non-compliance with the law on Ethnic Composition

1415. During the year under review, out of the total number of employees two hundred and thirty-eight (238) or 80% of the total number were members of the dominant ethnic community in the county. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N which states that "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its establishment from the same ethnic community" In the circumstance, management was in breach of the law.

Management response

1416. This issue has been in existence for a long period since the employees are on Permanent and pensionable terms. It takes retirement and other separation forms for an employee to exit the college. This takes a long time since majority of the staff are middle-aged.

1417. However, Management is committed to progressively address the issue in the subsequent recruitments to ensure that the staff recruited represent the diverse Kenyan communities. This is evidenced by the current percentile as at 30.6.2024 at 76%. That indicates a change of 5%. The institution filled a vacancy for the Senior position of Chief Security Officer recently and the position was taken by a candidate who is not from the dominant ethnic community.

Committee Observation

1418. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1419. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report.

15.4.10 Lack of Inventory Management Policy

1420. The statement of financial position reflects inventory balance of Kshs.5,351,321 as disclosed in note 29 to the financial statements. However, the institution does not have an inventory management policy that gives formal guidance on the management of inventory

1421. In the circumstances, existence of effective internal controls on inventory management could not be confirmed.

Management response

1422. An inventory management policy for the polytechnic has been developed.

Committee Observation

1423. The Committee observed that the issue had been resolved as the institution has an approved and functional inventory management policy as verified by the Auditor General.

15.4.11 Lack of Debt Management Policy

1424. Review of the Polytechnic Documents revealed that the institution does not have a debt management policy to provide formal guidance on the management of debts.

1425. In the circumstances, the effectiveness of internal controls and governance on debt management could not be confirmed.

Committee Observation

1426. The Committee observed that the issue had been resolved as the institution has an approved and functional debt management policy.

15.5 Audited statements for Financial Year 2022/2023

15.5.1 Unreconciled Variance on Grants from State Department for Technical, Vocational Education and Training

1427. Appendix III to the financial statements discloses receipts from the State Department for Technical, Vocational Education and Training amount of Kshs.233,863,000. However, financial statements for the State Department for Technical, Vocational Education and Training reflected transfers to the Polytechnic totaling Kshs.298,843,000. The resultant variance of Kshs.64,980,000 has not been explained or reconciled.

1428. In the circumstances, the accuracy and completeness of receipts from the State Department for Technical, Vocational Education and Training amount of Kshs.233,863,000 could not be confirmed.

Management response

1429. As per the schedule, the variance of Kshs. 64,980,000 on inter entity transfers have been reconciled as follows.

1430. A Grant of Kshs. 25,000,000/= were released on 6th July 2023 at the Ministry and were received on 20th July 2023 at the Polytechnic a date after close of financial year.

1431. Another Grant of Kshs. 20,000,000/= were released on 10th July 2023 at the Ministry and were received on 2nd August 2023 at the Polytechnic a date after close of financial year.

1432. Remittance of Kshs. 25,471,600 for Monitoring and Evaluation programmes undertaken by the state department which were accounted for on clearance control account. These funds are held as due under refundable note if not fully utilized but for this matter, all funds were fully utilized.

Committee Observation

1433. The Committee observed that the management has resolved the issue by reconciling their books of account to account for all the money released by the State Department as verified by the Auditor General.

15.5.2 Property, Plant and Equipment

1434. The statement of financial position reflects property, plant and equipment balance of Kshs.5,055,200,824 in respect of land, buildings, plant and equipment, computers, printers and copiers, furniture and fittings and motor vehicles as disclosed in Note 31 to the financial statements. However, as reported previously, the Management did not maintain a fixed asset register which would provide a means of controlling the assets including acquisition, disposal, and transfer, enable accounting calculations to be performed on asset cost, depreciation, and net book value, and allow assets to be checked regularly to avoid misappropriation. This is contrary to Regulation 143(1) of the Public Financial 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.

1435. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.5,055,200,824 could not be confirmed.

Management response

1436.It is true that at the time of audit asset register was still work in progress and now the register is available for verification by the auditor. The original register has now been provided to the auditor for verification.

Committee Observation

1437.The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.3 Trade and Other Payables from Exchange Transactions

1438.The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.201,920,452 which includes National Government Constituencies Development Fund (NGCDF) and other bursaries totaling Kshs.40,881,327 and un-receipted bank deposits balance of Kshs.27,840,307 that had not been receipted and debited to the respective students' accounts as disclosed in Note 35 to the financial statements. In addition, review of the trade and other payables from exchange transactions ageing analysis provided for audit indicated that out of the total payables balance of Kshs.201,920,452, accounts payable with balances totaling Kshs.102,700,982 had been outstanding for more than three years.

1439.In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.201,920,452 could not be confirmed.

Management response

1440.The National Government Constituency Development Fund (CDF) and other Bursaries amounting to Kshs 40,881,327 and other direct deposits of Kshs. 27,840,403 had been accounted for as a liability for monies held for third parties.

1441. Missing student details from respective sponsoring bodies was attributed to the liability accounts. We have accounted for the same liability for monies held but due to third parties. Currently the CDF balances have been dispensed after making follow up by wring letters as per sample copies of letters.

1442.The un-receipted Bank Deposits amounting to Kshs. 27,840,307 relate to customers' direct deposits to our bank accounts, the deposit slips had not been presented for receipting as at

the close of the financial year ending 30th June 2023; however, the amounts were receipted in the subsequent financial year to third parties.

1443. On outstanding trade and other Payables for more than three years, totalling to Kshs. 102,700,982 were settled in the subsequent year as follows:

1444. Examination Fund of Ksh.49,845,015 was paid leaving a balance of Kshs. 38,993,587 as at 30.6.2024 as evidenced by the sample voucher of Ksh.28,340,790

1445. Trade Creditors of Ksh.44,225,962 were paid in the subsequent year as per the list. CDF Funds of Kshs. 40,881,327 were fully allocated.

1446. Original PVs/Receipts for clearance have been provided to the auditors for confirmation.

Committee Observation

1447. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.4 Misclassification of Capitation Grants in the Financial Statements

1448. The statement of financial performance reflects rendering of services-tuition fees and other incomes amount of Kshs.769,383,155 which includes tuition fees amount of Kshs.469,088,004 as disclosed in Note 10 to the financial statements. Review of records provided for audit indicated that the tuition fees amount of Kshs.469,088,004 includes capitation grants amount of Kshs.208,843,000 received from the State Department for Technical, Vocational Education and Training. However, the capitation grants have been classified in the statement of financial performance as revenue from exchange transactions instead of revenue from non – exchange transactions.

1449. In the circumstances, the capitation grants have not been presented in the financial statements as per the financial reporting template issued by the Public Sector accounting Standards Board and IPSAS.

Management response

1450. The Government through circular Ref No. MOEST/VTT/2/12 Vol.II/ (6) a standardised training fees levied in all public TVET institutions at Kshs.56,420 per year per trainee payable as follows government capitation kshs.30,000.00 and parents Kshs26,420.00 per year for every student under KUCCPS programme. The capitation grant received from the government was in respect to fees of Kshs.30,000 per student per year which is considered

fees received in respect of the services rendered to the students thus being revenue from exchange transactions.

Committee Observation

1451. The Committee observed with a lot of concern that the institution has errors in its financial statements, which creates loophole for embezzlement of funds.

Committee Recommendation

1452. The Committee recommends that the Accounting Officer takes charge of the operations of the institution at all times to avoid errors.

15.5.5 Budgetary Control and Performance

1453. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.863,677,149 and Kshs.811,874,367 respectively resulting to an under realization of Kshs.51,802,782 or 6% of the budget. Similarly, the Polytechnic expended Kshs.744,635,997 against an approved budget of Kshs.792,177,149 resulting to an under expenditure of Kshs.47,541,151 or 6%. of the budget. Further, the Polytechnic had an unbalanced budget.

1454. The under realization and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management response

i. Receipts Analysis

1455. The shortfall of Kshs.51,802,782 or 6% of the budget was as a result of reduced number of trainees admitted compared to what was expected to be admitted. This was attributed to changes in the funding model by the government.

ii. Expenditure Analysis

1456. The under expenditure of Kshs.47,541,151 or 6 % of the budget was as result of shortfall in funding caused by reduced Government Capitation which led to reduced spending.

Committee Observation

1457. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.6 Shortfall in Students' Capitation

1458. The statement of financial performance reflects rendering of services-tuition fees and other incomes amount of Kshs.769,383,155 which includes tuition fees of Kshs.469,088,004 as disclosed in Note 10 to the financial statements. However, according to a letter referenced No. TENP/FIN/10/VOL3/106 dated 10 January 2023 and as reported in the previous year, the Institution did not receive a total amount of Kshs.45,780,000 for student capitation which was in relation to the financial year 2018/2019 and 2019/2020 financial years. Further, in the financial year 2021/2022 and in the year under audit the Institution did not receive capitation fee amounting to Kshs.81,712,500 and Kshs.307,079,500 respectively. The total underfunding from 2018/2019 to 2022/2023 amounted to Kshs.434,572,000.

1459. In the circumstances, the shortfall of students' capitation revenue may affect planned activities and may have hampered service delivery to the students and other stakeholders of the Polytechnic.

Management response

1460. It's true there was a shortfall in student capitation from the State Department for TVET. However, follow-up was done through the attached letter referenced No. TENP/FIN/10/VOL3/106 dated 10 January 2023.

Committee Observation

1461. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.7 Unresolved Prior Year Matters

1462. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, no report or recommendations from the management of the Polytechnic and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, Cap.412A which require accounting officers designated for national government entities to try to resolve any issues resulting from an audit that remain outstanding.

Committee Observation

1463. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.8 Non-Compliance with Law on Ethnic Composition

1464. As previously reported, review of payroll records revealed that the Eldoret National Polytechnic had three hundred and twenty-eight (328) permanent and pensionable non-teaching employees out of which two hundred and sixty-seven (267) or 81% came from the dominant ethnic community. This is contrary to Sections 7(1) and (2) of National Cohesion and Integration Act, Cap. 7N which requires that all public establishments should seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

1465. In the circumstances, Management was in breach of the law.

Management response

1466. This problem has been in existence for long since the employees are on Permanent and pensionable terms. It takes retirement and other separation forms for an employee to exit the college. This takes long since majority of the staff are of middle age.

1467. However, Management is committed to progressively address the issue in the subsequent recruitments to ensure that the staff recruited represent the diverse Kenyan communities. This is evidenced by the current percentile as at 30.6.2024 at 76%. That indicates a change of 5%. The institution filled a vacancy for the Senior position of Chief Security Officer recently and the position was taken by a candidate who is not from the dominant ethnic community.

Committee Observation

1468. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

15.5.9 Controls and Data Environment

1469. Review of the Polytechnic ICT environment revealed that there was an ICT Policy document in place. However, an ICT security policy and disaster recovery plans have neither been developed nor spelt out in the ICT policy. Further, formally documented, and approved processes to manage system changes and upgrades made to the existing ICT

systems are also not in place. In addition, review of the ICT Data Centre room also revealed the lack of an access control system to restrict and monitor access to the server room, lack of smoke detector and lack of an environmental monitoring system to monitor the humidity and temperature in the Data Centre. Also, there was no existing closed-circuit television (CCTV) system extended to the Data Centre.

1470. In the circumstances, the Polytechnic may face prolonged downtimes in the event of a disaster or equipment hardware failure which may lead to data loss.

Management response

1471. ICT Policy document has been amended to include an ICT security policy and disaster recovery plans.

1472. ICT data Centre room has been installed with closed-circuit television (CCTV). See Appendix 14 while the Smoke detector and access control system is in the process of acquisition as evidence in the attached approved LPO

Committee Observation

1473. The Committee observed that the management has since resolved the issue by amending the ICT Policy which has been verified by the Auditor General.

16.0 BOMET UNIVERSITY COLLEGE

1474. Ms. Loyce Maru, Ag. Principal, accompanied by;

i. Mr. George Orua- Deputy Principal

ii. Ms. Laureen Obonyo- Chief Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Bomet University College, on 21st August 2024.

16.1 Audited statements for Financial Year 2018/2019

16.1.1 Inaccuracies in the Financial Statements

The balances reflected in the financial statements are at variance with the figures in the supporting documents availed as detailed below: -

Details	Financial Statements Balance (Kshs.)	Supporting Document Balance (Kshs.)	Variance (Kshs.)
Revenue from Other Governments	131,532,000	111,865,422	19,666,578
Remuneration of Directors/Council	19,587,000	19,977,000	(390,000)
Operations and Maintenance Sub-total-revised Estimates	1,200,000	21,200,000	(20,000,000)
Operations and Maintenance Sub-total-Actuals	927,000	20,903,000	(19,976,000)
Operations and Maintenance Sub-total-Variance	273,000	297,000	(24,000)
Non-current Assets	1,595,304,000	1,600,949,000	(5,645,000)

1475. The variances have not been reconciled or explained. Consequently, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

1476. The variance of Kshs 19,666,578 was as a result of a supplementary recurrent budget received on 9th July, 2019.

1477. Remuneration of Directors/Council: The amount of Kshs. 19,587,000 was correct as per the Note 9 and the statement of financial performance of the FY 2018/2019.

1478. Operations and Maintenance of Kshs, 2,212,000 was the correct as per Note 11 and the statement of financial performance of FY 2018/2019.

1479. There was a mix up on the Budget comparison report items and actual schedules of Operations and maintenance.

Committee Observation

1480. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.2 Unsupported Revenue from Exchange Transactions

1481. As disclosed in Note 7 to the financial statements, the statement of financial performance reflects revenue from exchange transactions- rendering of goods and services balance of Kshs. 16,847, 000. However, the balance has not been broken down into the individual revenue sources but was aggregated together as a single figure.

1482. Consequently, it has not been possible to confirm the accuracy and completeness of the balance reflected in the statement of financial performance for the year ended 30 June, 2019.

Management Response

1483. Evidence of schedules showing breakdown into individual revenue from exchange transactions- rendering of goods and services of Kshs. 16,847, 000.

Committee Observation

1484. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.3 Inaccuracies in General Expenses

1485. As disclosed under Note. 12 to the financial statements, the statement of financial performance for the year ending 30 June 2019 reflects general expenses of Kshs. 39,357,000 as detailed under note 12 to the financial statements. However, the amount includes Kshs. 7,577,000 and Kshs. 875,000 in respect of payment of outstanding debts and revaluation of fixed assets respectively, which have been erroneously charged to general expenses. This implies that the expenditure has been overstated by Kshs. 8,452,000.

1486. Consequently, the accuracy and completeness of general expenses of Kshs. 39,357,000 in respect of general expenses for the year ending 30 June 2019 could not be confirmed.

Management Response

1487. We acknowledge the error and a journal voucher has been passed to correct the error.

Committee Observations

1488. The Committee observed multiple errors occasioned by the finance officer the institution.

Committee Recommendations

1489. The Committee charges the Finance Officer in office at the time for negligence and unfit to hold public office.

16.1.4 Property, Plant and Equipment

1490. As disclosed under Note 20 to the financial statements, the statement of financial position reflects non-current assets balance of Kshs. 1,595,304,000. The balance constitutes the value of land amounting to Kshs.934,800,000 which includes two (2) parcels of land with a total value of Kshs.334,800,000. However, Management did notprovide any ownership documents such as title deed or allotment letter for audit review.

1491. Further, and as previously reported, two parcels in Bomet town owned by the Collegehave been encroached upon by third parties and informal settlers. The parcels of land have not been secured by a perimeter fence. No measures or plans have been takento reclaim back the two (2) land parcels.

1492. In addition, the above balance includes property, plant and equipment and computer balances of Kshs.8,448,026 and Kshs.1,647,989 respectively, that were transferred from Moi University to the College when it ceased to be a constituent college on29 March, 2018. The balances were not supported by any valuation report.

1493. Consequently, the ownership and valuation of assets totaling Kshs.344,896,015 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

Management Response

1494. A Certificate of Lease has been issued for the parcel of land known as BOMET TOWNSHIP/437. Encroachment of the two parcels of land has stopped since Bomet University College has fenced the two parcels of land. There has been undertaken decommissioning of Bomet County dumpsite.

1495. On valuation of property, plant, equipment and computer transferred from Moi University, Bomet University College is engaging Moi University to provide source documents for the purchase of Furniture, Plant & Equipment and Computers.

Committee Observation

1496. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.5 Unreconciled Receivables from Exchange Transactions

1497. As disclosed under Note 14 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.4,407,000. However, the

student ledger presented in support of the balance reflected an amountof Kshs.3,558,950, resulting to an unreconciled balance of Kshs.848,050.

1498. Consequently, the accuracy and completeness of receivables from exchange transactions balance of Kshs.4,407,000 reflected in the statement of financial positionas at 30 June 2019 could not be confirmed.

Management Response

1499. This has been addressed, and the management provided a schedule of Receivables from Exchange Transactions,

Committee Observation

1500. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.6 Unsupported Contingent Liability

1501. As disclosed under Note 17 to the financial statements, the statement of financial position also reflects trade and other payables from exchange transactions balance of Kshs.55,926,000. Included in the balance is contingent liabilities balance of Kshs.4,981,000 which relates to liability for the supply of goods and services during the construction of the College's temporary dining hall and kitchen in 2016. However, Management did not avail supporting documents such as local purchase orders, local service orders, delivery notes and invoices for audit review.

1502. Consequently, the fair value of the reported contingent liability balance of Kshs.4,981,000 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

Management Response

1503. It is true Contingent liabilities totaling Kshs. 4,980,675 was used to pay for supply of goods and services during construction of the University's temporary dining hall and kitchen in the year 2016 despite the said supply of goods and services having not been supported with procurement records, delivery notes and invoices. The payment was sanctioned by the court in its judgment rendered in Bomet **PMCC No. 77 of 2018: Garden Hardware Limited v. Bomet University College & 2 Others** and its resultant appeal.

Committee Observation

1504. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.7 Budgetary Control and Performance

1505. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.170,617,000 and Kshs.148,379,000 respectively, resulting to a revenue shortfall of Kshs.22,239,000 or 13% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.144,316,000 and Kshs.153,402,000 respectively, resulting to an over expenditure of Kshs.9,086,000 or 6% of the budget. Further, the statement has not incorporated the development activities components.

1506. Consequently, the activities planned for the year not undertaken may have negatively impacted on service delivery to the College stakeholders.

Management Response

1507. The under expenditure of 6% is within the threshold as per the legal requirements. However, Management commits to improve on this matter.

Committee Observation

1508. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.8 Unresolved Prior Year Matters

1509. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref. PASB/12/1/ (144) of June, 2019.

Management Response

1510. Extract of Approved minutes of the Audit and compliance committee of Council and Approved minutes Public Finance Management Standing Committee was provided for audit.

Committee Observation

1511. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.9 Overpayment of Top Management

1512. During the period between October, 2017 and June, 2019, the former principal and two deputy principals of the College served in acting capacity whereupon, they drew basic salaries for the upper substantive positions contrary to the advisory of the StateCorporations Advisory Committee as detailed below:

	Substantive Basic	**Acting Allowance at 15%**		**Actual Basic Paid**	**Overpayment (Kshs.)**
Designation	Salary (Kshs.)	**(Kshs.)**	Total Entitlement (Kshs.)	(Kshs.)	
Ag Principal	4,477,242	**671,586**	5,148,829	6,904,529	1,755,700
Ag Deputy Principal	4,152,359	**622,854**	4,775,213	6,404,332	1,629,119
Ag Deputy Principal	3,989,567	**598,435**	4,588,002	6,404,332	1,816,330
Total	12,619,168	**1,892,875**	14,512,044	19,713,193	5,201,149

1513. This resulted in an overpayment of Kshs.5,201,149 which the audit and compliance committee of the University Council resolved to be recovered effective January, 2019. However, as at the time of audit in December, 2019, there was no evidence of the recoveries having been effected as directed.

1514. In the circumstances, the Management is in breach of the law.

Management Response

1515. This matter was canvassed in a suit filed by 2 of the Top Management. The case details are:

Eldoret ELRC Cause No. E035 of 2021- Prof. Thomas Kimelli Cheruiyot & Prof. Joshua

Kwonyike v. Bomet University College (being a consolidation of Eldoret ELRC Cause No. E035 of 2021 and Eldoret ELRC Cause No. E035 of 2021)

1516. This suit revolved around claim for terminal dues by the outgoing management and the audit query for the Financial Year 2019/2020 on the overpayment of salaries to the outgoing management as counter-claimed by Bomet University College in its pleadings.

1517. Judgement was rendered on 21st June, 2024 in favour of the Claimants save for the prayer seeking the CBA arrears. The Claimants were also awarded Costs and interest of the Suit at Court's rate.

1518. The Court held that the claimants were entitled to the terms provided for *in Bomet University College Terms and Conditions of Service for Senior Management (2017)* as indicated in their Contract Letters as issued to them by Council.

1519. The Audit Query findings had also been communicated to the outgoing management and they were requested to make good the amount sought.

1520. Additionally, the 2021/2022 Audit Report for Bomet University College stated that the said query as having been resolved.

Committee Observation

1521. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.10Unremitted Pension and Gratuity Deductions

1522. As previously reported an amount of Kshs.3,561,325 relating to gratuity and pension contributions for employees was deducted through Moi University payroll on behalf of Bomet University College. However, the Management has not availed any evidence to confirm the amounts have been remitted to the relevant bodied as at 30 June, 2019. This is contrary to the provisions of the Retirement Benefits, Act, 1997.

1523. In the circumstances, the Management is in breach of the law.

Management Response

1524. At the time of Audit the payroll was managed by Moi University and therefore all the payroll deductions are a liability in Moi University.

1525. Currently, Bomet University College does not have any outstanding payroll obligations, including pension.

Committee Observation

1526. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.11 Lack of Segregation of Duties over Payroll

1527. The payroll system was managed by a sole member of staff, whose duties included data capture, approval, change management and authorization of payment. Further, admin rights over the payroll system continue to be solely held by the vendor in exclusion of the Management.

1528. Consequently, there is lack of segregation of duties in the payroll process and controlof the system by the vendor exposes the College to the risk of unauthorized access.

Management Response

1529. At the time of the Audit the University College had inadequate staff to enable segregation of duties. However, since then, the Staff number have increased and therefore, addressing the issue of segregation.

Committee Observation

1530. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and availing of the requisite documents.

16.1.12 Lack of Risk Management Policy

1531. The College does not have a risk management policy in place that guides onassessment and evaluation of risk and development of the strategies to mitigate them.Such policy would have ensured that the College develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

1532. Consequently, service delivery could be adversely affected by if the risks were to crystallize.

Management Response

1533. The Policy has been developed, approved and is being implemented.

Committee Observation

1534. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and had availed of the requisite documents.

16.2 Audited statements for Financial Year 2019/2020

16.2.1 Discrepancies in the Annual Report and the Financial Statements

1535. The financial statements contain the following anomalies:

i. The dates of appointment for the two Members of the Council featured at Page vi and on Page x have not been disclosed.

ii. The statement by the Chairperson of the Council at Page Xii is not signed.

iii. A report on performance of the regulatory and non-commercial enterprises owned by the University College in the financial year under review has not been included in the annual report.

iv. The report of the Council at Page xxxi indicates the financial results are as set out on Page 1, instead of Page 34 which is the first page of the financial statements.

v. Pagination for the financial statements is set from Page 34 instead of Page 1.

vi. The financial statements have not been signed by the Chairperson to the Council.

vii. The footnote to the financial statements indicates that the notes are set out on Pages 13 to 39 but these are at Pages 45 to 71.

viii. Note 6 to the financial statements on transfers from other government-gifts and services in kind reflects Exchequer grants brought forward for the year 2016/2017 instead of 2018/2019.

ix. The statements of financial position makes reference to non-current liabilities at a non-existent Note 21 to the financial statements.

1536. In view these discrepancies, the financial statements contain incorrect information and do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB).

Management Response

1537. Management acknowledged the errors and has since been corrected in the subsequent years.

Committee Observation

1538. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.2.2 Unexplained Variances in Financial Statements

1539. Examination of balances reflected in the financial statements revealed the following inaccuracies: Balances for the following items varied significantly from those reflected in the respective analyses provided for audit as indicated in the appendix attached on this report. As a result, the accuracy and validity of the balances could not be confirmed.

i. The statement of changes in net assets reflects a valuation of fixed assets balance totalling Kshs.1,133,859,123 whereas the audited financial statements for the prior year reflected a balance of Kshs.1,241,175,000 resulting to an unexplained variance of Kshs.107,315,877.

ii. The statement of changes in net assets reflects nil changes in capital reserves whereas Note 20 to the financial statements on property, plant and equipment reflects land and buildings valued at Kshs.4,000,000 and Kshs.61,740,000 totaling to Kshs.65,740,000 as having been transferred/adjusted during the year under review.

iii. The statement of financial performance reflects general expenses totalling Kshs.94,830,571, as further disclosed in Note 12 to the financial statements. However, a recast of the items included in the Note yields Kshs.95,430,570 resulting to unexplained variance of Kshs.599,999.

iv. The statement of financial position reflects trade and other payables from exchange transactions totalling Kshs.85,593,094, as further disclosed in Note 17 to the financial statements. However, a recast of the balances in the Note yields Kshs.144,044,644 resulting to unexplained variance of Kshs.58,451,550.

v. The statement of cash flows reflects cash and cash equivalents balance brought forward totalling Kshs.214,295,076 which differs with the audited closing balances totalling Kshs.9,922,000 as at 30 June, 2019 resulting in an unexplained balance of Kshs.204,373,076; and

vi. Note 12 to the financial statements discloses expenditure on core mandate totalling Kshs.38,193,712, but a recast of the items included in the balance yielded Kshs.38,442,112 resulting to casting error of Kshs.248,400;

1540. In view of these errors and discrepancies, the accuracy and completeness of the cited balances could not be confirmed.

Management Response

1541. The error was acknowledged and a re-working of the unexplained variances were amended in the subsequent year.

Committee Observation

1542. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.2.3 Council Members' Allowances

1543. The statement of financial performance reflects remuneration of directors' costs totalling Kshs.20,498,070 as detailed in Note 9 to the financial statements. Included in the balance is Kshs.19,454,070 paid out as allowances to Council members. However, detailed schedules indicating allowances paid to each member and the nature and purpose of the meetings attended were not provided for audit.

1544. Consequently, the occurrence, accuracy and validity of the reported Council Members' allowances totalling Kshs.20,498,070 for the year ended 30 June, 2020 could not be confirmed.

Management Response

1545. Copies of the payments Vouchers for BUC Council Members' Allowances were provided during the audit and further, a summary of payments of allowances for each Council Member has been prepared and presented. been prepared and presented.

Committee Observation

1546. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.2.4 General Expenses

1547. The statement of financial performance reflects general expenses totalling Kshs.94,830,571 as further disclosed in Note 12 to the financial statements. Included in the balance is expenditure incurred on purchase of a four-wheel drive vehicle, procurement of

an Enterprise Resource Planning (ERP) software system, construction of a research centre and supply of text books valued at Kshs.7,570,000, Kshs.8,862,160, Kshs.19,624,150 and Kshs.2,466,957 respectively. The items were of capital nature and therefore ought to have been capitalized and amortized over their useful lives in accordance with IPSAS 17.

1548. Further, an outstanding imprest amounting to Kshs.600,000 for facilitation of cultural events which ought to have been classified as receivable was incorrectly accounted for as a general expense. Consequently, the accuracy and validity of the reported general expenses totalling Kshs.94,830,571 for the year ended 30 June, 2020 could not be confirmed. 5.0 Receivables from Exchange Transactions The statement of financial position reflects receivables from exchange transactions balance totalling Kshs.12,971,173 as further disclosed in Note 14 to the financial statements. However, the University fees payment policy and analyses showing how long the debts had been outstanding were not provided for audit review.

1549. Consequently, the accuracy and fair statement of the reported receivables from exchange transactions balance totalling Kshs.12,971,173 as at 30 June, 2020 could not be confirmed.

Management Response

1550. The error was acknowledged and a journal voucher has been passed to correct the error in the FY 2020/2021.

Committee Observation

1551. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified necessary documentations.

16.2.5 Property, Plant and Equipment

1552. The statement of financial position reflects property plant and equipment balance totalling Kshs.1,735,285,752 as further disclosed in Note 20 to the financial statements. However, the following unsatisfactory matters were noted in respect to the balance:

16.2.6 Land and Buildings Transfer/Adjustment

1553. Included in the property, plant and equipment balance is the cost of land (KER/SIGOR/1369) valued at Kshs.4,000,000 measuring 8.4 acres and buildings built on it valued at Kshs.61,740,000 which are indicated as having been 'transferred /adjusted during the year under review. However, records on the nature and magnitude of the

adjustments and their approval by the Council was not disclosed. As a result, their validity and measurement could not be confirmed.

Management Response

1554. The error was acknowledged and a Journal Voucher has been passed to correct the same.

Committee Observation

1555. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified necessary documentation.

16.2.7 Lack of Valuation Report

1556. As reported in the previous year, furniture, plant and equipment and computer balances valued at Kshs.1,971,000, Kshs.6,477,026 and Kshs.1,647,989 respectively were transferred to the College when it ceased to be a constituent college of Moi University on 29 March, 2018. However, no valuation report was provided to validate the values assigned to the assets.

1557. In view of these issues, the accuracy and completeness of the property plant and equipment balance totalling Kshs.1,735,285,752 as at 30 June, 2020 could not be confirmed.

Management Response

1558. Bomet University College is engaging Moi University to provide source documents for the purchase of Furniture, Plant & Equipment and Computers.

Committee Observation

1559. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.2.8 Unsupported Liabilities

1560. The statement of financial position reflects trade and other payables from exchange transactions balance totalling Kshs.85,593,094 as further disclosed in Note 17 to the financial statements. However, examination of items included in the balance revealed following unsatisfactory issues:

Committee Observation

1561. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.2.9 Accrued Payroll Liability

1562. Included in the unsupported liabilities are accrued payroll expenses totalling Kshs.11,381,865 which in turn include accrued payroll expenses for staff transferred to Moi University totalling Kshs.2,137,940 and an Inter-Public Universities Council Consultative Forum (IPUCCF) expense totalling Kshs.155,859. However, analyses showing the nature of items incurred were not provided for audit.

Management Response

1563. The evidence for the expenses for staff transferred to Moi University amounting to Kshs. 2,137,940 is provided and same has been provided for staff at Bomet University College. An invoice for IPUCCF amounting to Kshs. 155, 859 has been provided. The list for accrued payroll expense amounting to 11,381,865 has been attached.

Committee Observation

1564. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified necessary documentation.

16.2.10 Contingent Liability

1565. The unsupported liabilities balance includes other payables-contingent liabilities totalling Kshs.4,980,675 which Management explained were incurred on supply of goods and services during construction of the University's temporary dining hall and kitchen in the year 2016. However, the balance was not supported with procurement records, delivery notes and invoices.

1566. In view of these issues, the accuracy and fair statement of the reported trade and other payables from exchange transactions balances totalling Kshs.85,593,094 as at 30 June, 2020 could not be confirmed.

Management Response

1567. It is true Contingent liabilities totaling Kshs. 4,980,675 was used to pay for supply of goods and services during construction of the University's temporary dining hall and kitchen in the year 2016 despite the said supply of goods and services having not been supported with procurement records, delivery notes and invoices. The payment was sanctioned by the court in its judgment rendered in : Bomet PMCC No. 77 of 2018: Garden Hardware Limited v. Bomet University College & 2 Others and its resultant appeal: Bomet High Court Civil Appeal No. E045 of 2022: Bomet University College v. Garden Hardware Limited & 2 Others.

Committee Observation

1568. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified necessary documentation.

16.2.11 Budgetary Control and Performance

1569. The statement of comparison of budget and actual amounts reflects budgeted and actual revenues totalling Kshs.360,575,545 and Kshs.348,473,725 respectively resulting to a revenue shortfall of Kshs.12,101,820 or 3%. The revenue shortfall was within the allowable threshold of 10% of the budget.

1570. The statement reflects budgeted and actual expenditure totalling Kshs360,575,545 and Kshs.335,842,888 respectively resulting in under-expenditure of Kshs.24,732,657 or 6.8 % of the budget also within the allowable variation limit.

Management Response

1571. The observation of the external auditor is that the spending was within the allowable limits

Committee Observation

1572. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.2.12 Prior Year Issues

1573. The audit report for the previous year (2018/19) raised several unsatisfactory issues relating to balances reflected in the financial statements, lawfulness and effectiveness in use of public resources, and effectiveness of internal control, risk management and governance.

16.2.13 Irregular Variation of Construction Contract

1574. As previously reported, in 2017/18 financial year Moi University advertised the proposed construction of two library blocks, four (4) student hostels, two (2) lecture halls, two (2) dining/Kitchens and two (2) multipurpose halls for Bomet University College and Mama Ngina College Campus in Bomet and Kiambu Counties respectively. The University thereafter awarded the contract at Kshs.2.7 billion with the completion period set for 104 weeks. However, after the notification of the award was sent out and before the signing of the contract, the scope of work was scaled down to cover works at Bomet University College only, following the transfer of mentorship of Mama Ngina College Campus to Kenyatta University on 8 November, 2018.

1575. However, the following anomalies were noted in regard to the change:

i. As indicated, the initial tender entailed construction works at Bomet University College and Mama Ngina College Campus with both projects advertised as one tender. No plausible explanation was provided by Management for procuring the works under one tender in spite of their large scope and location in different Counties.

ii. Upon transfer of the mentorship of Mama Ngina College Campus to Kenyatta University and after the tender award notification was sent to the winning bidder, Moi University proceeded to sign a revised contract for Bomet University College works with the original contractor at Kshs.1,391,984,209. There was no record indicating that the procedures for amendments to contracts spelt out in Section 47 of the Public Procurement and Disposal Act, 2015 were followed before the change was made.

iii. The initial contract period of 104 weeks commencing 8 November, 2016 lapsed on 7 November, 2018 before the project was completed. An extension for a further 52 weeks was thereafter granted and expired on 7 November, 2019. Physical verification of the project carried out on 16 November, 2020, and review of project documents, indicated the following:

(i) The tuition block was at 98% level of completion;

(ii) the library had stalled at 75% level of completion level as at November, 2020;

(iii) The multi-purpose hall was at 49% level of completion.

(iv) Construction of the two (2) hostels had commenced with mobilization of 5% of the contract value.

1576. Total payments to the contractor amounted to Kshs.656,000,000 equivalent to 51% of the total contract price

1577. The University may have breached the law by failing to re-advertise the tender for the works relating to the College. In the absence of a new tender, it was not possible to confirm whether, the adjusted cost totalling Kshs.1,391,984,209 was competitive enough to result in value for money on public funds spent on the project.

Management Response

1578. The contract was tendered out by Moi University when Bomet University College and Mama Ngina University College were Campuses of Moi University. Procurement of the project and amendment of the same was done by Moi University.

1579. Bomet University College took over the Project at 12% completion. An extension of Contract period by 52 weeks was approved and was to end on 7th November 2020. The Contract lapsed on 2nd August, 2021 and parties are engaging in ongoing negotiations with the aim of renewing the contract since the contractor has expressed interest in resuming the project.

Committee Observation

1580. The explanation provided by management was not satisfactory and management breached the law.

Committee Recommendation

1581. The Committee reprimands both the accounting officer and the procurement officer. Management must always ensure that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods and services pursuant to the provisions of section 68(2)(e) of the Public Finance Management Act, 2012.

16.2.14 Irregular Hire of Casual Workers

1582. Expenditure records indicated that salary payments totalling Kshs.8,659,000 were made to fifty (50) casual workers hired to work in various departments. However, approval for the recruitment of the workers by the Council, requisitions for staff by the respective department, recruitment reports, and engagement letters issued to the workers were not presented for audit review. As a result, the validity of the recruitments could not be confirmed

Management Response

1583. At inception, Moi University handed over 34 casual workers and seconded 26 permanent staff to Bomet University College (BUC). To bridge the gap in staff capacity, BUC engaged more casuals to provide the required labor on a need basis. Appointment letters were authorized and issued to the casuals engaged.

Committee Observation

1584. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.2.15 Lack of Risk Management Policy

1585. Review of operational system in the College indicated that Management had not documented the College's risk management policy as required by Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015. The Regulation requires the Accounting Officer for a National Government entity to develop risk management strategies that include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations.

1586. In the absence of a documented strategy, Management may not be able to objectively identify, measure and mitigate risks to the operations of the College.

Management Response

1587. The University College currently has an approved Risk Management Policy.

Committee Observation

1588. The Committee observes that the matter has been resolved, as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3 Audited statements for Financial Year 2020/2021

16.3.1 Variances between Ledger Balances and the Financial Statements Balances

1589. The statement of financial performance and statement of financial position reflects various account balances that were at variance with the ledger balances obtained from the Enterprise Resource Planning (ERP) System.

Management Response

1590. At the time of Audit, the ERP system was still under implementation and challenges experienced arose from transition from manual to ERP. The Schedules used in the preparation of financial statements were produced by taking into consideration the physical payment vouchers.

Committee Observation

1591. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.2 Unsupported Revenue from Exchange Transactions

1592. Unsupported revenue from exchange transactions totaling to Kshs.30,457,950 in respect of tuition and related charges, privately sponsored students' fees, students field trips/courses and students' activities, were not supported with schedules for audit review.

Management Response

1593. Revenue totaling to Kshs 30,457,950 in respect of tuition and related charges, privately sponsored students' fees, students field trips/courses and students' activities, are supported with schedules for audit review.

Committee Observation

1594. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.3 Land without Ownership Documents

1595. The balance of parcels of land includes a parcel of land valued at Kshs.930,800,000. However, no ownership documents in respect to four (4) parcels of land in Sigor, Bomet town were provided for audit.

Management Response

1596. On 28th November, 2023, an Official Search was conducted and issued from the Lands Registry at Bomet and from the said Certificate of Official Search, it was noted that the Title Deed has not yet been issued but the parcel has been reserved for Bomet University College and is in the meantime being held in trust by County Government of Bomet.

1597. Request for execution of transfer forms and process has been made to the County Government of Bomet and copied to the County Land Registrar, Bomet.

Committee Observation

1598. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.4 Unresolved Prior Year Matters

1599. The Management has not resolved all issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

Management Response

1600. Management has put in place mechanisms to dispose active Audit issues through discussion from the Audit and compliance committee of council and the Public Finance Management standing committee.

Committee Observation

1601. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.5 Non-Remittance of Tax Dues

1602. The College had not remitted to Kenya Revenue Authority (KRA), taxes amounting to Kshs.3,561,524 as at 30 June, 2021. In addition, the institution had been subjected to penalties and interests amounting to Kshs.1,856,084 due to non-remittance or late filing of returns

Management Response

1603. The matter so far has been closed up. Payment of the penalty was done in installments as per the attached payment vouchers. The University College has so far complied with the required statutory timelines.

Committee Observation

1604. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.6 Delayed Implementation of Projects

1605. The University Management awarded a multi-project contract to a company at contract sum of Kshs.1,391,982,469 on 8 November, 2016 for the construction of a tuition block, a library, a multi-purpose hall and a hostel. The contract was for a period of two (2) years or 104 weeks commencing on 8 November, 2016.

i. the contractor was behind schedule and had sought extension up to 7 November, 2020
ii. The work in progress to completion was at 52%.
iii. As at 30 June, 2021, the work certified stood at Kshs.784,383,813.67 or 56% of the total contract sum
iv. Physical inspection carried out during the month of January, 2022 revealed that the project had stalled and the contractor was not on site.

Management Response

1606. The project had stalled and the contractor did not seek for extension. Bomet University College has since escalated the matter on stalled projects to the state department of Public Works.

Committee Observation

1607. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

16.3.7 Payment for Incomplete Non-Commissioned ERP System

1608. A contract for the supply, installation, testing and commissioning of an Enterprise Resource Planning (ERP) software solution for the College was awarded to a company on 26 June, 2020 at a contract sum of Kshs.16,544,981 and for a contract period of seventeen (17) weeks.

i. Payments to the project an amount of Kshs.15,363,443.68 or 90% of the total contract sum had been paid by 6 May, 2021.

ii. The remaining balance of Kshs.1,181,487.84 represents 10% retention money that would be paid after the defects liability period as per the provisions of the contract agreement.

iii. Review of the system implementation status revealed that the alumni and honorary members, legal/ litigation matters, security and audit modules had not been implemented and customized despite the fact that the vendor had been fully paid.

iv. The system was to be commissioned by the end of October, 2020 but as at 27 January, 2022, the ERP had not been commissioned and no evidence of extension of the contract period was provided.

Management Response

1609. ERP system has not been commissioned. The Alumni and honorary members, Legal/ litigation matters, Security and audit Modules have been fully implemented.

Committee Observation

1610.The matter is resolved. All the required modules have been fully implemented.

16.3.8 Payment of Unauthorized Allowances to Top Management

1611.Payment of allowances to three (3) top Management amounting to Kshs.12,240,000. However, there were no support documents to confirm that the allowances had been regularized.

Management Response

1612.Copies of; SCAC letter acknowledging Receipt; Letters from Public Service Commission, Attendance list during Compliance check conducted by SRC, BUC Allowances submitted to SRC, Sensitization on the Allowances Policy Guideline for the Public Service.

Committee Observation

1613.The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.9 Non-Compliance with the One-Third Basic Pay Rule

1614.The payroll data revealed that four (4) members of staff were on diverse months paid net salaries which were less than a third (1/3) of their basic pay

Management Response

1615.Copies of Payslips were provided.

Committee Observation

1616.The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.10 Irregular Staff Recruitment and Appointment

1617.Review of the recruitment and appointment process revealed that Management recruited two senior lecturers both in Scale BUC 13 contrary to Clause 2.2 (a) of the University College's Human Resource Policy Document Ref. BUC/HRPM/1/2018

1618.Further, Minutes of the appointment committee meeting held on 04 December, 2020 to consider appointment of legal officers agreed and recommended the appointment of an officer to the position of Assistant Legal I at Scale BUC 10 to be in-charge of Legal Department and two (2) to the position of Legal Assistant II at Scale BUC 8.

1619. However, the advertisement made for the jobs was only for one position for a Legal Officer (BUC/ADM/11/2/2020) at Scale BUC 12.

Management Response

1620. Advertisements for legal officers were none responsive and after readvertisement none of the candidates qualified for appointment. The appointment committee considered the candidates for the lower positions

Committee Observation

1621. The matter is resolved. The explanation provided by management is satisfactory.

16.3.11 Irregular Payment of Salary to a Former Employee

1622. Irregular Payment of Salary of Kshs. 598,236 to a former staff member who had resigned on 8 May 2021 from the service of the College and was paid. However, the officer was still in the payroll as at 30 June 2021

Management Response

1623. The overpaid salary is Kshs. 601,878 and not Kshs. 598,235.90 and of which the total amount was honored by the Staff on 7th June 2022.

Committee Observation

1624. The Committee observed that errors were occasioned by the Human Resource team. It further noted incompetencies in the office of the Deputy Principal, which created loopholes that led to the loss of funds. However, the former employee subsequently refunded the money.

Committee Recommendation

1625. The Committee recommends that the Human Resource team and the office of the Deputy Principal strengthen internal controls and accountability mechanisms to prevent a recurrence of such errors. In addition, the institution should enhance capacity building through regular training and ensure strict adherence to financial management procedures to safeguard public funds.

16.3.12 Overpayment of Top Management

1626.During the period between October, 2017 and June, 2019, the former principal and two deputy principals of the College served in acting capacity, they drew basic salaries for the upper substantive positions. Thus, resulted in an overpayment of Kshs.5,201,149. However, there was no evidence of the recoveries having been affected as directed.

Management Response

1627. Judgment in Eldoret ELRC No. E035 of 2021.

Committee Observation

1628.The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations

16.3.13 Irregular Engagement of Casual Employees for more than Twelve Months

1629.Review of records provided for audit revealed that Kshs.1,336,323 was paid to six (6) casual employees engaged in various departments. However, the casuals had worked continuously for a period of twelve (12) months from July, 2020 to June, 2021 contrary to regulation.

Management Response

1630.Currently, Casuals were offered contracts for a period of two (2) months basis. Approved Council Minutes on Casual Engagement were provided.

1631.Casual Engagement Review for suitability.

Committee Observation

1632.The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.14 Lack of a Functional Council

1633.Review of Council records revealed that the term of the University College's previous Council Members lapsed on 29 September 2020 and no new Council was appointed until 08 July 2022. The University, therefore, operated without a Council in the year under review.

Management Response

1634.At the time of Audit term of the University College's previous Council Members term lapsed on 29 September 2020 and the new Council was appointed on 08 July 2022.

Committee Observation

1635. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.15 High Wage Bill

1636. The compensation of employees' expenditure of Kshs.227,511,287 which is equivalent to 65.7% of the College's actual revenue of Kshs.346,255,332. The high wage bill means that most of the College's financial resources were spent on staff salaries at the expense of development projects.

Management Response

1637. Administrative Staff ratio of 70:30. The focus in the Recruitment and Appointments made in the Financial Year under review was aimed at bridging the gap in the Ratio, which currently stands at 50.92:49.08

Committee Observation

1638. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.16 ERP System - Integrity of the Microsoft Dynamics 365 Business Central 3. (Navision) 2019

1639. Review of the operations of the ERP revealed that the audit module is not able to generate reports for all the transactions from all the other modules.

1640. In addition, the following weaknesses in the ERP system were noted:

i. The developer/vendor of the system has access rights to all the functionalities of the ERP making its integrity questionable.

ii. The developer/vendor still executes the functions and roles assigned to College staff from different departments.

iii. The College has not configured any network monitoring or management protocol to assist in enforcing access controls. Guests and staff with personal computers can access the network resources by just connecting to any available network port without approval or authentication.

Management Response

1641. Developers/vendors of the system access rights to all functionalities of the system as well as the execution of functions and roles assigned to College staff ceased after handing over the project to the University College.

1642. The University College is using PF sense to monitoring/or management network protocol. Eduroam which is the University Wifi authenticate users using staff/student email and a unique password.

Committee Observation

1643. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.17 Computers without Antivirus and Software Licences

1644. Management purchased sixty (60) twenty-three-in-one Kaspersky antivirus softwares for use in the protection of their computers. However, some computers were not protected with any antivirus software despite the fact that the institution had bought the Kaspersky antivirus licenses.

1645. Further, the University did not install genuine Microsoft Office software in some of the computers, while in others the licenses had not been activated.

Management Response

1646. The computers which had no antivirus were skipped during the installation of the procured Kaspersky Antivirus but this has since been installed.

1647. Genuine Microsoft Windows 10 Operating system and Microsoft Office 202 has been installed and activated in all University Computers.

Committee Observation

1648. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

16.3.18 Lack of Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

1649. The College did not have an approved Information System Disaster Recovery Plan and a Business Continuity Plan in place.

Management Response

1650.BUC is in the process of developing Disaster Recovery Plan and Business Continuity Plan. For instance, the Library Management System, Koha already has an inbuilt backup system for e-resources and repositories.

Committee Observation

1651.The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

17.0 UNIVERSITY OF KABIANGA

1652.Mr. Erick Koech, Vice Chancellor, accompanied by;

iii. Mr. Isaac Naibei- Deputy Vice Chancellor

iv. Mr. Willy Koech- Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of the University of Kabianga, on 7th August 2024.

17.1 Audited statements for Financial Year 2018/2019

17.1.1 Going Concern

1653. During the year under review, the University made a loss of Kshs. 124,973,024 compared to loss of Kshs. 62,585,856 in the 2017-2018 financial year, resulting in accumulated losses of Kshs. 136,713,475 as at 30th June, 2019. Further, the current liabilities balance of Kshs. 427,977,515 exceeded the current assets balance of Kshs. 285,843,606 as at 30th June 2019 resulting in a negative working capital balance of Kshs. 142,133,909. The financial statements have been prepared on a going-concern basis, on the assumption that the University will continue to receive support from the National Government, donors and creditors, a position that has no documentary support.

1654.The University is therefore technically insolvent

Management Response

1655.The financial deficits noted is a result of low funding and highly rationalized budget. However, the university has put in place measures to ensure financial sustainability. This includes

i) The university developed a financial Sustainability plan in order to diversify revenue streams.

ii) The University also implements its fee collection policy that is to ensures that no students proceed to the next semester before clearing the previous semester fee.

iii) University management has disclosed uncertainty related to sustainability of services under Note 36: Risk management policies-Rising deficits. Annex 1 to the financial statements of Fy 2018/19.

iv) In addition, the university management anticipates continued Government financial support to sustain its services and the new funding model adopted by the government will mitigate the rising deficits hence resulting to favorable working capital.

v) The quarterly financial reports for the current year ended 30th June, 2024 shows that the deficit is reduced significantly. This is largely because of the effect of the new funding model, prudent management of resources and implementation of the financial sustainability plan. This shows that the going concern of the university is not under threat.

Committee Observation

1656. The Committee observed that the institution is technically insolvent with an amount of KShs. 273M worth of pensions to be paid. This is due to low funding and the highly rationalized budget.

1657. However, the Committee further noted the institution had in place a financial sustainability plan to raise funds and subsequently aid in debt reduction.

Committee Recommendation

1658. The Committee recommends that the Accounting Officer makes it a priority to make good use of the available resources within the institution to avoid depending on government for funding from the exchequer.

17.1.2 Unsupported Adjustment to the Financial Statements

1659. The Financial statement for the year ended 30th June 2019 submitted for audit 30th September 2019 and the amended copy submitted for audit on 23rd January 2020 reflects differences in a number of activities as indicated in the table;

Item	Financial Statement Submitted on 30 September,2019 Kshs.	Financial Statement Submitted on 23rdJanuary, 2020Kshs.	Difference Kshs.
Cooperative Bank – Development	41,263,802	93,303,766	(52,039,964)
Cooperative Bank-Operation	(58,997,331)	(73,116,005)	14,116,674
Depreciation	59,672,141	56,936,652	2,735,489
Bad Debts write off	0	53,443,649	53,443,649
Property Plant& Equipment	2,068,275,240	2,091,707,315	23,432,075
Payables	256,774,188	317,705,083	60,930,895
Revaluation Reserve	391,479,670	389,166,652	2,313,018
Accumulated Surplus	(139,448,964)	(136,713,475)	2,735,489

1660. The movement from the initial financial statements to the amended financial statements was not supported by necessary source documents and journals vouchers. Under the

circumstances, the accuracy of the financial statements for the year ended 30th June, 2019 could not be confirmed.

Management Response

1661. The university management prepared its annual report for the year which was submitted to the Office of Auditor General on 30th September, 2019. The report was used by the Auditor to audit the financial statements.

1662. However, the Financial Statements were amended and resubmitted to the auditor general on 23rd January, 2020 after the audit in order to address the areas noted during the audit. Necessary adjustments for the variances were made after receipt of management letter.

1663. These differences have been resolved and the audit report of subsequent years did not raise the issue.

Committee Observation

1664. The committee observed that the management did not provide documentation on time, therefore in breach of Section 98(1) of the Public Finance Management Act, Cap. 412A.

Committee Recommendation

1665. The Accounting Officer must at all times ensure that he/she avails supporting documentation to the financial statements within (3) three months after the end of the financial year pursuant to section 68 (2) (k) of the PFM Act 2012.

17.1.3 Cash and Cash Equivalents.

1666. The statement of financial position and as disclosed under Note 19(a) to the financial statement reflects cash and cash equivalents balance of Kshs. 125,792,732 comprised of thirteen (13) bank accounts held in Commercial Banks whose bank reconciliations were not provided for audit verification. Further, disclosure under note 19(b) to the financial statement is a bank overdraft balance of Kshs. 73,116,005 whose bank reconciliation statement was not provided for audit verification.

1667. Under the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs. 125,792,732 and the bank overdraft balance of Kshs. 73,116,005 as at 30th June, 2019 could not be confirmed.

Management Response

1668. University management provided the bank reconciliation statements in hard copies.

1669. There was no bank overdraft facility sourced by the university. The negative bank balance relates to cashbook balance (not bank balance) which was occasioned by delayed capitation as at 30th June 2019.

Committee Observation

1670. The Committee observed that the issue has been resolved as the Office of the Auditor General was satisfied by the management response after the requisite verification of documents.

17.1.4 Unsupported Retention Account

1671. The statement of financial position and as disclosed under note 25 to the financial statement reflects retention money for Work-In-Progress balance of Kshs. 37,156,427. However, verification of the retention money held in the retention bank account at Kenya Commercial Bank had a balance of Kshs. 25,546,861 resulting to an unexplained and unreconciled variance of Kshs. 11,609,566

1672. Consequently, the accuracy and completeness of the retention money for Work-In Progress balances of Kshs. 37,156,427 could not be ascertained.

Management Response

1673. University management pays the contractors and retains the retention funds in KCB retention fund account.

1674. However, at the time of the audit, the retention money of Ksh.11,609,566 had not been transferred to the retention account.

1675. The amounts of retention (Ksh.11,609,566) was transferred to retention account in January, 2020.

Committee Observation

1676. The Committee observed that the issue has been resolved as the Office of the Auditor General was satisfied by the management response after the requisite verification of documents.

17.1.5 Work-In-Progress

1677. The statement of financial position and as disclosed under Note 27 to the financial statements reflects Work-In_Progress balances of Kshs. 617,193,102 that is not supported by a work in progress register detailing the cost per project. Consequently, it was not possible to ascertain the status of the University's project implementation and whether the projects were still within their time and budget limits.

1678. In the circumstances, the accuracy and completeness of the work in progress balance of Kshs. 617,193,102 for the financial year ended 30th June 2019 could not be confirmed.

Management Response

1679. University management maintains an updated Asset Register that has the details including cost per project and status of implementation of the projects as detailed by the attached documents.

1680. The register has been updated and this matter resolved and has not therefore recurred in the subsequent audits.

Committee Observation

1681. The Committee observed that the issue has been resolved as the Office of the Auditor General was satisfied by the management response after the requisite verification of documents.

17.1.6 Misstatement of current liability

1682. The statement of financial position and as disclosed under note 26 to the financial statement is borrowing from cooperative bank with an outstanding balance of Kshs. 208,750,000. Although the balance has a component of Kshs. 15,000,000 excluding interest that will be repayable within the next twelve months in line with the loan agreement, the entire loan

balance has been disclosed as long term liability leading to an overstatement by the same amount.

Management Response

1683. The entire loan balance of Kshs. 208,750,000 was reported as a long-term loan.

1684. The University management has now categorized and reported the outstanding loan into two components; long term liability and current liability for the component which is repayable within one (1) year. This has been corrected and the short-term component of Kshs. 15,000,000 treated as a short-term liability as required by IPSAS accrual

1685. This matter has now been addressed.

Committee Observation

1686. The Committee observed that the issue has been resolved as the Office of the Auditor General was satisfied by the management response after the requisite verification of documents.

17.1.7 Budgetary Control and Performance

1687. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 1,422,683,229 and Kshs.1,441,950,959 respectively resulting to an underfunding of Kshs. 19,267,730. Similarly, the University expended 1,481,981,054 against an approved budget of Kshs. 1,422,683,229 resulting to an over expenditure of Kshs. 59,297,825. Management did not provide for audit review the approval for the additional expenditure

1688. In addition, the University overspent on general expenses by Kshs. 67,360,941(44%) and marketing expenses.

Management Response

1689. University management disclosed the adjustments in the FY 2018/2019 budget in its statement of comparison of budget and actual amounts under page 5 of the financial statements.

1690.The approvals for the additional expenditure were granted by the University Council through the virement report and its minutes hereby attached

Committee Observation

1691.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.

1692.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

1693.The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of inadequate funding in higher education institutions.

1694.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.

17.1.8 Delayed Completion of Proposed Projects

17.1.8.1 Construction of proposed Library

1695.The University initiated the construction of an eight-storied library complex in the year 2016/2017. Verification of the project progress revealed that the project was not complete as at 30 June 2019. The monthly progress reports from head of procurement to the accounting officer were not provided for audit verification.

Management Response

1696.University Management has provided the documentation for reasons for delays and extension of the project completion date including the approvals for extension by the project implementation committee and Monthly progress reports.

17.1.8.2 Construction of Lecture Theatre Phase IV

1697. The University's management contracted for the construction of a three-storey lecture hall Phase IV in the financial year 2016/17. The contract had a duration of seventy-eight (78) weeks commencing on 22 February,2017 and was expected to end on 08 August 2018. Review of site meeting minutes of 31 July,2019 revealed that the project was seventy-five (75) percent complete. The project manager requested the Accounting Officer for contract period extension by twenty (20) weeks from 08 August 2018. The request was accepted by the Accounting Officer on 16 January 2019. However, the recommendation by the evaluation Committee and the approved professional opinion were not provided for audit review. Also, the monthly progress reports from the head of procurement to the Accounting Officer were not provided for audit review. A further contract extension was sought for a further period of thirty -two (32) weeks from 28 December 2018 to 08 August 2019.

Management Response

1698. The Construction was completed and the facility has been occupied after the handover by the contractor in 2023.

1699. University Management hereby provides the documentation for reasons for delays and extension of the project completion date including the Monthly progress reports, Approved contract extension letters, certificate of practical completion and certificate of making good defects.

17.1.8.3 Delayed Completion of the Students' Dining Hall

1700. The University Management awarded the contract for the completion of a student dining hall on 17 May 2017. Review of the site meeting minutes held on 31 July 2019 revealed that the contractor had carried out sixty-five (65) per cent of the works in a period of seventy-two (72) weeks after the date of completion of the project.

1701. Under the circumstances, value for money on the project has not been realised.

Management Response

1702. The previous contract was terminated due to the abandonment of site by the contractor. A new contractor was competitively sourced and the construction is now ongoing and is 90% complete.

1703. University Management has provided report on termination, and the current progress reports.

Committee Observation

1704. The matter is addressed. The building is complete and in use.

17.2 Audited statements for Financial Year 2019/2020

17.2.1 Unsupported Valuation of Biological Assets

1705. The statement of Financial position reflects biological Assets of Kshs. 45,064,530 and as disclosed in Note 23 to the Financial statements. During the year under review, the biological Assets increased to Kshs. 45,064,530 from Kshs. 43,316,012 in the previous year. The increase of Kshs.1,748,518 is attributed to a valuation report dated 30 June 2020.

1706. However, the schedules supporting the increase after valuation were not provided for audit review. In the circumstances, the accuracy and completeness of the carrying amount of biological assets of Kshs. 45,064,530 as at 30 June 2020 could not be confirmed.

Management response

1707. This valuation of the Biological Assets was done by committee of experts from the university drawn from specialist in livestock valuation and professional valuers. The internal experts were used as a cost cutting measure on time and resources to develop the valuation report.

1708. The University however engaged the external valuers in the 2021/2022 Financial year end. The schedules for the increase in values has been provided for review

Committee Observation

1709. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the necessary documentation.

17.2.2 Material Uncertainty Related to Going Concern

1710. The statement of financial position reflects current liabilities of Kshs. 518,586,903 which exceeded current assets of Kshs. 245,314,758 resulting to a negative working capital of KSHS. 273,272,145. Further, the University realized a loss of Kshs. 127,949,811 (2019; Kshs. 124,923,024) in the current year under review thereby increasing the accumulated deficit from Kshs. 136,713,475 in 2019 to Kshs. 264,663,286 as at 30th June 2020.Management has not made any disclosure on this material fact in the notes to financial statements and there are no mitigating measures put in place by the University to reverse the trend. Consequently, the university's preparation of financial statements on a going concern basis is on the assumption that it will receive financial support from the government and creditors

Management response

1711. The Government Recurrent Grants over the five (5) years period have been fluctuating and inadequate to fund employee cost.

1712. The University developed and implemented the Financial sustainability plan in order to bridge the deficits and improve the revenue sources of the University (Doc 2A)

1713. The University has also increased the vote on marketing its programmes in order to attract more students

1714. There's a foot note in the financial statements that discloses the increasing deficit

Committee Observation

1715. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations

17.2.3 Budgetary control and performance

1716. The statement of comparison of Budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 1,427,450,863 and Ksh.1,340,432,712 respectively resulting to an underfunding of Kshs. 87,018,151 or 6% of the budget. The

underfunding affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

Management response

1717. The number of students has been reducing since 2016/2017 due to reforms in the education sector; this has negatively affected the fees income over the years. As a result of declining number of students, the tuition &tuition related fee income has been reducing

1718. Payroll costs have been increasing as a result of CBA implementation and recruitment of more core academic staffs required for implementation of academic programmes.

1719. Highly rationalized University Budgets for FY 2018/2019, 2019/2020 and 2020/2021 which have resulted in increased budget deficit over the years. The Budget deficit has been rising over the years due to inadequate recurrent funding.

1720. COVID-19 Pandemic led to suspension of services to the students resulting to non-payment of tuition and tuition related fees.

Committee Observation

1721. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations

17.2.4 Irregular Staff Ethnic Composition

1722. The University's staff establishment and employment records for the 2019/2020 financial year revealed that it had 564 employees. An analysis of ethnic composition revealed that 393 (70%) are from one ethnic community while only 171(30%) are from other ethnic communities. The management is in breach of NCIC Act, Cap. 7N which states that no public establishment shall have more than one third of its staff from the same ethnic community

Management response

1723. The management has been progressively striving to reduce the ethnic composition as this is an historical issue whereby the campus absorbed the staff of the defunct Kabianga

Farmers training centre as well as the seconded staff from the parent University (Moi University).

1724. The diversity strategy which ensures diversity in appointments and committee composition is in place and is being complied with in the organs and committees of the University including Council, top Management and Management and Senate.

1725. The University has gradually improved the diversity from the initial 86.9% at the inception of the university to 70% as at end of 2018/19

1726. The university Senate, which is the main decision-making organ on academic matters comprises of 70% of heads of departments and 50% of the deans and directors are from non-dominant communities. Similarly, 75% and 50% of the Council Members and Top management, respectively are from non-dominant community.

1727. All the university committee appointments comply to the requirements of ethnic and gender diversity.

1728. The students studying at the university are drawn from almost all the counties. Diversity in representation of student leadership is adhered to.

Committee Observation

1729. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap.7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1730. 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.

17.3 Audited statements for Financial Year 2020/2021

17.3.1 Material Uncertainty Related to Sustainability of Services

1731. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

17.3.2 Budgetary Control and Performance

1732. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

17.3.3 Unresolved Prior Year Matters

1733. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.0 MOIBEN TECHNICAL AND VOCATIONAL COLLEGE

1734. Ms. Viola Ng'etich, Principal, accompanied by;

Mr. Nelson Kemboi- Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Moiben Technical and Vocational College, on 3rd July 2025.

18.1 Audited statements for Financial Year 2022/2023

18.1.1 Inaccuracy in Receivables from Exchange Transactions

1735. Note 27(a) to the financial statements, reflects receivables from student debtors before deduction of impairment allowance of Kshs.8,923,814. Comparison of the balance of Kshs.8,923,814 with the prior year balance of Kshs.4,391,586 revealed an increase of Kshs.4,532,228 or (103%)

Management Response

1736. The college fees policy provides that the student be invoiced when he/she reports to college for training.

1737. Our fee's structure charges student fees per module that is annual fees so that students can pay fees as the module proceeds. For consistency principle the management have

been recognizing revenues using the same basis as also indicated in our Finance management policy.

Committee Observation

1738. The Committee noted that the issue has been resolved as the management response clarifies that fees are invoiced upon student reporting and recognized per module/annually, adhering to a consistency principle in their Finance Management Policy. This indicates that the increase in receivables is a direct consequence of their established and consistent revenue recognition policy, not necessarily an error in accounting recognition itself.

18.1.2 Unsupported Expenditure on Staff Training and Capacity Building

1739. The statement of financial performance reflects expenditure on use of goods and services of Kshs.14,028,353 as disclosed in Note 15 to the financial statements. Included in the amount is Kshs.1,073,073 in respect to staff training and capacity building. However, staff training needs assessment report was not provided by the Management to support the expenditure.

Management Response

1740. Yes, during the year under audit, the management did not undertake a training needs assessment for the staff. However, the meeting and training sessions attended by the staff were organized and facilitated by the Ministry of Education, National Treasury and KATTI.

Committee Observation

1741. The Committee observed that training was externally organized, their failure to undertake a training needs assessment signaled non-compliance with the Public Service Commission's Human Resource Policies and Procedures Manual.

1742. Further, the training policy is currently in place to address the gaps within the staff establishment.

Committee Recommendation

1743. The Committee recommends that the institution adheres to the Public Service Commission's Human Resource Policies and Procedures Manual and ensure budgeting of all activities within the institution.

18.1.3 Property Plant and Equipment Balance

1744. The statement of financial position reflects property, plant and equipment balance of Kshs.56,937,711 as disclosed in Note 31 to the financial statements. However, it was noted that the balance excluded a motor vehicle and automotive engineering equipment donated by the State Department of Vocational and Technical Training. Management indicated that the Ministry did not provide invoices in respect of the donated assets. Further, valuation of the assets had not been done and therefore the value of the assets could not be confirmed. In addition, property, plant and equipment balance excludes eighteen (18) hectares of land donated by County Government of Uasin Gishu where staff houses, administration block and classroom are located. However, the College had no title deed to the land.

1745. In the circumstances, the accuracy, completeness and ownership of property, plant and equipment could not be confirmed.

Management Response

1746. The management wrote a letter to the Ministry of Education requesting the values and costs of the donated assets.

1747. The ministry responded vide letter indicating a lump sum cost of us dollars (1,233,481) the assets. The management has, however, initiated the process of determining a suitable valuer to carry out valuation exercise.

1748. The management is also making follow up with the Uasin Gishu county government, NG CDF Moiben and National lands commission in respect to titling of the college land.

Committee Observation

1749. The Committee observed that despite the management's ongoing efforts to obtain values and title deeds, the College has not yet reliably measured the cost or fair value of the donated motor vehicle and engineering equipment, nor has it secured legal title to the 18 hectares of land which contravenes IPSAS 17, Paragraph 14(b), which requires that an

asset's cost or fair value "can be measured reliably" for recognition, and also impacts IPSAS 1's fair presentation requirement regarding the completeness and ownership of assets.

Committee Recommendation

1750.The Committee recommends that the management be intentional about securing the institution's land title and valuing its property as required. This should be done within 12 months upon adoption of the report.

18.1.4 Inaccuracy in Statement of Changes in Net Assets

1751.The statement of changes in net assets reflects total capital fund and reserve balance of Kshs.59,329,816 as at 30 June, 2023. However, casting across revealed a balance of Kshs.59,359,818 resulting in a variance of Kshs.30,000 which was not explained.

1752.In the circumstances, the accuracy of the reported capital and reserve balance of Kshs.59,329,816 could not be confirmed.

Management Response

1753.The management has made corrections to the financial statement.

Committee Observation

1754.The Committee noted the presence of arithmetic errors in the institution's financial statements. The Committee emphasized that accounting is a layered process involving preparation, review, and approval. As such, errors of this nature should be minimal in an institution that demonstrates professionalism and diligence in its financial management.

Committee Recommendation

1755.The Committee reprimands the finance officer for the errors and recommends that the errors be corrected in the subsequent financial statements.

18.1.5 Budgetary Control and Performance

1756.The statement of comparison of budget and actual amounts reflects total final revenue budget and actual receipt of Kshs.22,718,000 and Kshs.19,852,730 respectively resulting to under-funding of Kshs.2,865,270 or 13% of the budget. Similarly, the College spent

an amount of Kshs.23,937,657 against actual receipts of Kshs.19,852,730 resulting to an over expenditure of Kshs.4,084,927 or 21% of the actual receipts. No explanation was provided as to whether the over expenditure was authorized.

1757. Further, as disclosed in Note 6 to the financial statements, the transfers from National Government through the State Department of Technical and Vocational Education Training were Kshs.7,234,000 translating to Kshs.13,000 (43%) per student against the budget of Kshs.12,000,000 or Kshs.30,000 per student leaving a deficit of Kshs.17,000 (57%) per student.

1758. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1759. The management also expected total of Kshs 12,000,000 from the ministry in respect to student's capitation for the year. However, the total disbursed was Kshs.7, 234,000 resulting to a deficit of Kshs 4,766,000 this led to collection of less revenues as budgeted in the Approved budget for the year.

1760. The total approved budget for the FY 2022/2023 was Kshs 22,718,000 which was submitted to the Ministry for approval on January 2022. The total expenditure for the year under review stood at Kshs 23,937,657 resulting to a variance of Kshs 1,219,657 which is part of the KNEC fees for candidates who undertook their exams in the year under review.

Committee Observation

1761. The Committee observed that underfunding from the Ministry and the resulting deficit in student capitation, directly attributes to the lower revenue collection to the shortfall of budgetary control and performance.

Committee Recommendations

1762. The Committee recommends that the Ministry of Education devise strategies aimed at addressing the issue of inadequate funding in institutions of higher learning.

1763. 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.

18.1.6 Long Outstanding Receivables

1764. The statement of financial position and as disclosed in Note 27(a) to the financial statements reflects total receivables from exchange transactions of Kshs.8,926,814. Included in the balance was Kshs.3,525,250 which had been outstanding for more than one year. However, Management did not demonstrate the efforts being made to recover this amount.

1765. In the circumstances, recoverability of the receivables from exchange transactions of Kshs.3,525,250 outstanding for more than a year is doubtful

Management Response

1766. The management has put up a student HELB desk under the Dean's office to assist students in scholarships and Loan application by not issuing the certificates to students with fees arrears and ensuring that students with fees arrears are not allowed to sit for exams.

Committee Observation

1767. The Committee noted the efforts made by the management to enhance the recoverability of outstanding receivables. It further acknowledged that underfunding remains a key underlying factor contributing to the high level of long outstanding receivables.

Committee Recommendation

1768. The Committee recommends that the Ministry of Education to urgently address the issue on capitation to facilitate the smooth and effective functioning of the institution.

18.1.7 Board of Governors Activities

1769. Review of the Board of Governors activities in the College revealed that during the period under review, meetings were convened on 11 July, 2022, 12 July, 2022 and 02 July, 2022 without a notice period of fourteen (14) days and there were no minutes to support what was discussed during the meeting. This was contrary to Second Schedule of Technical

Vocational Education and Training (TVET) Act, Cap. 210A under Section 11 which states that the Board of Governors shall meet at least once every four months and every meeting of the Board of Governors shall be convened by giving at least fourteen (14) days' notices in writing to every member unless three quarters of the total membership agree on a lesser notice period.

1770. In addition, the Board did not conduct an evaluation of its performance contrary to Paragraph 1.12 of Chapter One of Mwongozo Code of Governance for State Corporations which states that the Board shall determine the board performance criteria and undertake an annual evaluation of its performance.

Management Response

1771. The management commits to comply with the Mwongozo code of governance in implementing the Board activities. In the current financial year, the management have managed to comply with the provisions of the Mwongozo as shown in the attached invitation letters and meeting registers.

1772. The board charter has been developed and awaiting Board approval.

Committee Observation

1773. The Committee observed that the management is making intentional efforts to address the issues in compliance with the Mwongozo code of governance.

18.1.8 Failure to Adhere on Ethnic Balance in Staff Composition

1774. Review of personnel records for the year under review indicated that the College had employed eighteen (18) staff out of a total of twenty (20) members of staff representing 90% from the dominant ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N which requires that public institutions should not have more than one third of their staff establishment from the same ethnic community.

Management Response

1775. The management has put in place measures to ensure that the college employs staff of various ethnicity however, most of the applicants are from the dominant community.

Committee Observation

1776. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1777. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of the adoption of this report by the House.

18.1.9 Irregular Procurement of Use of Goods and Services

1778. The statement of financial performance reflects expenditure on use of goods and services amount of Kshs.14, 028,353 as disclosed in Note 15 to the financial statements. Included in the amount is Kshs.4, 817,970, Kshs.783, 725 and Kshs.1, 024,565 for purchase of training materials, purchase of stationeries and administration costs respectively. Review of payment vouchers revealed that three (3) local suppliers paid a total of Kshs.969,925 were single sourced without placing an advertisement of intention to single source contrary to section 124 (12) of the Public Procurement and Disposal Act, Cap. 412C which states that single source selection shall require a placement of advertisement of the intention to single source and invite anyone who wishes to bid and in the event that there is a response to the advert then all interested suppliers shall be invited to submit proposals.

1779. Further, payments totalling Kshs.1, 305,160 were not subjected to withholding VAT of 2%on vatable goods and supplies.

Management Response

1780. The management in the subsequent financial Year 2023/2024 subjected all the Vatable goods and supplies to 2% withholding tax and the amounts remitted to Kenya Revenue Authority

Committee Observation

1781. The Committee observed that the issue is resolved as the management addressed the Withholding VAT issue by indicating corrective action in the subsequent financial year, which is a positive step towards compliance.

18.1.10 Failure to Reserve Budgetary Allocation to Disadvantaged Groups

1782. The annual procurement plan for the College did not provide for 30% of the total procurement budget to Women, Youth and Persons with Disabilities (PWDs). This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, Cap.412C which states that all procurement and asset disposal planning shall reserve a minimum of thirty per cent (30%) of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

1783. In the circumstances, Management was in breach of the law.

Management Response

1784. The management commits to henceforth ensure that the procurement plan tallies with the budget and the reservation for the person leaving with Disabilities are identified and clearly indicated in the plan.

Committee Observation

1785. The Committee observed that the issue has been addressed as the management's commitment to future compliance with the 30% reservation for disadvantaged groups in procurement plans, as per Section 53(6) of the Public Procurement and Asset Disposal Act, Cap. 412C, is noted given the college capacity.

18.1.11Lack of Occupational Safety and Health Committee

1786. Review of the records revealed that the College did not have an Occupational Safety and Health Committee at the workplace. This was contrary to Section 9(1) of the Occupational Safety and Health Act, Cap. 236A which requires every occupier to establish a safety committee at the workplace in accordance with regulations prescribed by the Cabinet Secretary and also Section 11(1) that states that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor.

1787. In the circumstances, Management was in breach of the law.

Management Response

1788. Yes, during the year under review the appointment of the committee had not been done. The committee is currently active and operational.

Committee Observation

1789. The Committee observed that the issue has been resolved as the Auditor General was satisfied with the management's response, having verified all the necessary documentation.

Committee Recommendation

1790. The Committee recommends that the committee should conduct an annual safety and health audit.

18.1.12Weak Internal Control Systems Over Processing of Transactions

1791. Review of the College's accounting records revealed that the vote book balances were not updated, while the vouchers were not stamped as "Paid". Further, some payments made exceeded the approved requisitions. In addition, payments totaling Kshs.1, 335,160 were made to three (3) local suppliers without processing electronic tax receipts (ETR).

1792. In the circumstances, the effectiveness of internal controls over processing of transactions could not be confirmed.

Management Response

1793. The management have procured the stamp and is currently in use in the Finance department.

1794. The management is also in process of automating its operations in the finance department. So that the vote book balances could be updated automatically as payment vouchers are being processed for payments.

1795. The procurement office has issued a memo to all suppliers to ensure they attach ETR receipts against the invoices before submitting them to the college.

Committee Observation

1796.The Committee noted that the issue has been resolved. Management provided stamped payment vouchers, as verified by the OAG.

18.1.13 Use of Manual System

1797.The College did not have an automated Management Information System. Thus, all transactions were carried out manually including management of students' fees which is prone to errors and possibility of fraud and loss of funds. The payment vouchers could not be updated automatically for vote book balances.

1798.In the circumstances, lack of an automated management information system compromises the integrity of the transactions.

Management Response

1799.The management is also in the process of automating its operations in the finance department. Two suppliers have been invited to conduct a presentation of their systems.

Committee Observation

1800.The Committee observed that the lack of finances within the institution has derailed its progress in automation of Management Information Systems; however, progress has been made to ensure compliance.

18.1.14 Implementation of Strategic Plan

1801.Review of the College's strategic plan revealed that the plan was to be implemented between 2019 to 2024. However, some key activities highlighted in the strategic plan implementation matrix which included fixing of Close-Circuit Television (CCTV) surveillance at strategic points, ISO Certification Quality Manual, Human Resource audit and employee satisfaction survey were not carried out.

1802.In the circumstances, the Management's ability to realize the College's strategic goals could not be confirmed.

Management Response

1803.During the year the college had financial challenges due to underfunding by the MOE and also late disbursements of student's capitation and scholarships therefore delaying implementation of the strategic plan activities.

1804. The management have therefore begun implementing activities strategic plan that are less costly and are affordable based on the flow of revenues/income for the year.

Committee Observation

1805. The Committee observed that the lack of finances within the institution has derailed its progress in the implementation of strategic plan activities; however, progress has been made to ensure compliance.

Committee Recommendation

1806. The Committee recommends that the Ministry urgently addresses the issue of capitation to facilitate the smooth and effective functioning of the institution.

18.2 Audited statements for Financial Year 2023/2024

18.2.1 Misstatements on Sale of Goods

1807. The statements of financial performance reflect sale of goods amount of Kshs.48,000, and as disclosed at Note 11 to the financial statements. However, the amount excludes the sale of maize of Kshs.349,750 that was not recorded in books of accounts resulting to understatement of sale of goods by Kshs.349,750. confirmed.

Management Response

1808. The management made accounting entry to less the cost of farm expenses of Kshs. 302,250 from the revenue received from sale of farm maize Kshs. 349,750 resulting to surplus of Kshs.47,500 which was recorded in financial statement under note number **23**. Gain on sale of biological assets.

Committee Observations

1809. The Committee observed that the financial statements recorded sales amounts short of Kshs. 349,750, which left a loophole for embezzlement of public funds.

Committee Recommendation

1810. The Committee reprimands the finance officer and recommends that they comply with the various Accounting standards in maintaining the institution's financial statements.

Misstatement of Inventory

1811. The statement of financial position reflects Nil balance in respect of inventory as disclosed in Note 29 to the financial statements. However, review of use of goods and services amounting to Kshs.17,743,849 included purchase of stationery valued at Kshs.1,198,665 that had not been utilized and were in store. The stationery in store were not recognized as stock by close of the year.

1812. In the circumstances, the accuracy of Nil balance of inventory could not be confirmed.

Management Response

1813. Yes, it's true that during the financial year under review, the management did not undertake stock taking. However, in the current financial year, the management has been able to undertake the stock taking, and the costs will be factored into the financial statement of FY 2024/2025.

1814. The management also advertised the recruitment of a storekeeper to assist in the recording and stock taking in the subsequent financial years.

Committee Observation

1815. The Committee noted that the institution is experiencing financial constraints, which have limited its ability to recruit additional staff. Management is, however, taking steps to address these challenges.

18.2.2 Misstatements in Property, Plant and Equipment

1816. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.2.3 Under Disbursement of Capitation Grants

1817. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.2.4 Budgetary Control and Performance

1818. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.2.5 Non- Compliance with the Law on Ethnic Composition

1819. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.2.6 Trade and Other Payables

1820. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

18.2.7 Lack of an Approved Staff Establishment

1821. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

19.0 BURETI NATIONAL POLYTECHNIC

1822. Mr. Sammy Cheruyiot, Principal, accompanied by;

Ms. Janet Chepkirui- Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Bureti National Polytechnic, on 5th June 2024.

19.1 Audited statements for Financial Year 2018/2019

19.1.1 Comparative Balances

1823. The financial statements for 2018/2019 submitted for audit reflect comparative balances in respect of the financial year 2017/2018. However, the financial statements for the financial year 2017/2018 were not submitted for the audit review.

1824. Consequently, the accuracy and completeness of the comparative balances in respect of the 2017/2018 as reflected in the financial statements for the year 30 June, 2019 could not be confirmed

Management response

1825. Prior to the fiscal year ending in June 2019, the Institute's books were being audited by the Directorate of school audit. When the Office of Auditor General assumed responsibility for auditing the Institute, beginning with the 2018/2019 fiscal year, the financial statements for the preceding year, 2017/2018, were still in the possession of the school auditor. For your reference, we have enclosed a copy of the financial statements for the fiscal year 2017/2018

Committee Observation

1826. The Committee observed that the financial statements were not provided on time which is against Section 68(2)(b) of the Public Finance Management Act, Cap. 412A and Regulation 99(3)) of the PFM (National Government) Regulations, 2015 by providing supporting documentation on time.

Committee Recommendation

1827. The Committee recommends that the management of the institution henceforth ensure compliance with the law by submitting documents on time.

19.1.2 Cash and Bank Balances

1828. As disclosed in Note 15 to the financial statement, the statement of financial position reflects a cash and cash equivalents balance of Kshs.37,522,871 as of 30 June, 2019 includes cash on hand amount of Kshs.501,147 which is however not supported by board of survey.

1829. Under the circumstances, the cash and cash equivalent of Kshs.37,522,871 as at 30 June 2019 could not be confirmed.

Management response

1830. The management successfully obtained the board of survey afterward.

Committee Observation

1831. The matter is resolved. The board of survey was provided and verified by the OAG.

19.1.3 Property, Plant and Equipment

19.1.3.1 Unsupported Additions to Fixed Assets

1832. As disclosed in **Note** 19 to the financial statements, the financial position reflects a property, plant and Equipment's balances of Ksh.294,685, 155 which includes additions of Kshs.12,974,232. However, additions Kshs.6,013,480 were not supported by necessary documentations such as payment vouchers as detailed below;

Particulars/Items	Amount Not Supported

	(Kshs)
Buildings & Structures	3,651,244
Furniture & Fittings	519,552
Capital Work in Progress	1,842,684
Total	6,013,480

1833. In addition, the management did not maintain an asset register in respect of land, buildings, furniture and fittings, plant and machinery and capital work in progress to show when they were acquired, when, cost and location among other

Management response

1834. Following the fiscal year 2018/2019, management successfully acquired all previously missing supporting documents, as evidenced by the contents of the attached

1835. In the fiscal year 2020/2021, the institute enlisted the services of a professional valuer to create an asset register for all institute assets.

Committee Observation

1836. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified supporting documents.

1837. Further, the Committee notes the efforts the institution has put in place to ensure valuation of its property.

19.1.3.2 Lack of Valuation for Land and Building

1838. The property plan and equipment balance of Kshs.294,685,155 includes balances of Kshs.225,000,000 and Kshs.47,814,243 relating to land and Buildings respectively. Information available indicates that the land was allocated to the Institute by the government and building (administration block and lecture halls) was funded by the African Development Bank (ADB). However, no valuation reports were provided for audit review in supported of the values.

1839. Consequently, the accuracy, and completeness of property, plant and equipment balance of Kshs.294,685, 155 as at 30 June, 2019 could not be confirmed.

Management response

1840. The Institute's land and Buildings and movable fixed assets were valued by Icon Valuers Ltd on June 2021.

Committee Observation

1841. The Committee notes the efforts the institution has put in place to ensure valuation of their property.

Committee Recommendation

1842. The Committee recommends that, in light of the prevailing capitation constraints, the institution's management should adopt an interim measure of utilizing government entities rather than incurring higher costs through engagement of private providers.

19.1.4 Budgetary Control and Performance

1843. The statement of comparison of budget and actual amounts reflects approved revenue budget of Kshs.102,725,000 and actual revenue of Kshs.104,393,319 resulting to budget over-realization of Kshs.1,668,319. The statement also reflects an approved expenditure budget of Kshs. 120.589, 537 and actual expenditure of Kshs. 42,169,606 resulting to an under-expenditure of Kshs. 78,419,931 or approximately 65% of the budget. The under expenditure represents equivalent service budgeted for but not delivered to the residents of Kericho County.

Management response

1844. During the 2018/2019 fiscal year, the Institute experienced an unexpected influx of students, surpassing the estimated numbers projected during budget preparation. Consequently, the actual income exceeded the budgeted amount. However, despite the higher income earned, a substantial portion remained outstanding by the year-end, constituting 63% of the total income from service provision. Moreover, approximately 84% of the government-disbursed income was received late in the fiscal year, thereby constraining the Institute's ability to effectively utilize the funds for public service provision.

Committee Observation

1845. The Committee observed that the institution collected more funds which they did not fully utilize despite having different needs for the running of the institution.

Committee Recommendation

1846. The Committee recommends that the institution's management be more flexible to adjust their budgets, when the need arises, to ensure full utilization of funds within their scope.

19.1.5 Irregular procurement of Treated post

1847. The Institute procured a total of 286 pieces of treated timber posts for fencing the Institute at a cost of Kshs. 244, 324. However, the institution used single sourcing method to purchase the timber post inviting for quotations contravening Section 106 of the Public Procurement and Disposal Act, Cap. 412C, which states that a procuring entity shall prepare a request for quotations if the estimated values of goods, works or no-consultancy services being procured is less or equal to the prescribed maximum value for using request for quotations.

1848. Consequently, the management was in breach of the law.

Management response

1849. As demonstrated by the minutes of tender evaluation committee dated 20th January 2017, the procurement department had obtained several quotations and the bidders who responded were as follows:

i. Alro Logistiques Ltd
ii. James Finlay K Ltd
iii. Novus Kenya Ltd
iv. Rosoga Investments
v. The committee recommended Rosoga Investments based on cost quoted.

Committee Observation

1850. The institution had not submitted the requisite supporting documentation to the Office of the Auditor-General by the time it appeared before the Committee.

Committee Recommendations

1851. The Accounting Officer must at all times ensure that he/she avails supporting documentation to the financial statements within (3) three months after the end of the financial year pursuant to section 68 (2) (k) of the PFM Act 2012

19.1.6 Staff Ethnicity Composition

1852. Review of the staff establishment records revealed that the Institute a total eight nine (89) permanent staff all who were from the same dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, Cap. 7N under section 7 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, (2) no public establishment shall have more than one third of its staff from the same ethnic community.

1853. Consequently, the management was in breach of the law.

Management response

1854. Subsequent to fiscal year 2018/2019, the Institute management ensured to observe National Cohesion and Integration Act, Cap. 7N by ensuring that diversity of the people is achieved by employing staff from outside the county

Committee Observation

1855. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1856. 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.

19.1.7 Failure to have Internal Audit Department and Audit Committee

1857. The Institute has not established an Internal audit department and audit committee contrary to Regulations 160 of the Public Financial Management (National Government) Regulations 2015- which requires the board of National Government entities to establish an Internal Audit function and audit committee which would review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes.

1858. The resources of the Institute are therefore at risk due to lack of proper internal controls mechanisms.

Management response

1859. In the fiscal year 2022/2023, the Board of Governors hired the Institute's internal auditor officer, who reported on 3rd April 2023.

1860. Furthermore, as part of the reconstitution process for the current board service spanning 2022 to 2025, an audit committee was formed. Attached are the board minutes detailing the establishment of the various board committees, including the audit committee

Committee Observation

1861. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified an approved and functional audit department and committee.

19.1.8 Failure to Establish Human Resource Department and Staff Establishment

1862. The Institute did not have Human Resource Department and Payroll were being processed through Microsoft Excel and were never processed through Integrated Payroll and Payroll Database (IPPD) as a requirement by the Employment Act, Cap. 226 under Section 20 (1) which states that an employer shall give a written statement to an employee at or before the time at which any payment of wages or salary is made to the employee.

1863. Further, it was noted that Institute did not have approved staff establishment to indicate authorized staffing levels in position for each category and variance, no evidence was provided to prove that the Institute had carried out job evaluation to determine the staff requirement for each category as such It was therefore, not possible to ascertain whether the Institute had engaged the optimal number of employees for all its categories.

1864. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified an approved and functional Human Resource department.

1865. In addition, it was noted that the Institute did not have an approved Human Resource Plan and approved staff establishment contrary to Human Resource Policies and Procedures Manual for the Public Services, May 2016.

1866. Under the circumstances, the existence of effective controls in the management of human resources in the Institute could not be confirmed.

Management response

1867. In the fiscal year 2022/2023, the Board of Governors hired the Institute's Human Resources officer, who reported on 3rd April 2023.

1868. The Institute's Board of Governors subsequently acquired an ERP system for the Institute in an attempt of trying a workable integration of the payroll system to IPPD. Installation was finalised in fiscal year 2023 and currently, the integration option is under trial.

1869. Human Resource officer employed in year 2022/2023, has been very instrumental in ensuring staff establishment

Committee Observation

1870. The matter is resolved. The institution employed a human resource officer to help in steering the human resource department.

19.1.9 Failure to have an Approved ICT policy

1871. The institute did not have an ICT policy and Business Continuity Plan that stipulates how ICT related risk are identified, managed and how to utilize ICT in monitoring the performance of the Institute

1872. Consequently, the Institute's IT assets may not be effectively utilized.

Management response

1873. Subsequently, the Board of Governors collaborated with the management to develop an ICT policy, which was completed and sanctioned in the fiscal year 2022/2023.

1874. The management has also developed a business Continuity and Disaster recovery plan which is still at the draft level.

Committee Observation

1875. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified an approved and functional ICT Policy.

19.1.10 Lack of Debtors'/Creditors' Policies

1876. The institution did not have a policy on debtors or creditors policy that stipulates how to deal with the debtors and creditors. Further aging analysis for both creditors and debtors was not done as required.

1877. Consequently, fair statements of the receivables from exchange transactions and the trade payables and other payables balances of Kshs. 47,223. 978 and Kshs. 13,189,527 respectively could not be confirmed.

Management response

1878. In the year 2024/2025, the management has developed debtors and creditors policy manual which is at the draft stage awaiting board discussion and approval.

1879. Prior to year 2020/2021, the Institute was operating with a cash basis system named as Abno which was not able to generate creditors and debtors age listings. The Institute's acquisition of an ERP system has streamlined the process of generating creditors and debtors aging listings.

Committee Observation

1880. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response having verified requisite documentations.

19.2 Audited statements for Financial Year 2019/2020

19.2.1 Inaccuracies in the Financial Statements

1881. The Committee observes that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.2 Cash and Cash Equivalent

1882. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.3 Property, Plant and Equipment Unsupported Additions to Work- in-Progress

1883. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.4 Fixed Assets Register

1884. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.5 Lack of Valuation of Land and Buildings

1885. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.6 Transfer of Depreciation to Accumulated Surplus

1886. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.7 Unsupported Receivables from Exchange Transactions

1887. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.8 Unsupported Trade and Other Payables from Exchange Transactions

1888. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.9 Budgetary Control and Performance

1889. The Institute statement of comparison of budget and actual amounts reflects Kshs.102,725,000 in respect to approved revenue budget and actual revenue of Kshs.106,287,455 resulting to net budget over-realization of Kshs.3,562,455. The statement also reflects approved expenditure budget Kshs.99,055,537 and actual expenditure of Kshs.47,137,521 resulting to a budget under-expenditure of Kshs.57,136,879.

1890. The under expenditure represents equivalent goods and services budgeted for but not thus affecting service delivery to the residents of Bureti.

Management response

1891. At the onset of the 2019/2020 fiscal year, the institute welcomed a greater number of students than initially budgeted for. However, the advent of the COVID-19 pandemic disrupted the education sector, rendering the institute unable to carry out all planned activities. As a result, there was a notable under-expenditure.

Committee Observation

1892. The Committee observes that under funding of the learning institutions is a matter that is cross-cutting. The capitation provided was inadequate and learning institutions have limited diversification options.

1893. The Committee further observed that the institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1894. The Committee recommends that the Ministry of Education devises strategies aimed at addressing the issue of inadequate funding in higher education institutions.

1895. 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.

19.2.10 Staff Ethnic Composition

1896. Review of the staff establishment records of the Institute revealed that it had a total number of staff of eight nine (89), all of whom 100% are from the dominant ethnic community which is against Section 7(1) and (2) of the National Cohesion and Integration Commission Act, Cap. 7N which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, no public establishment shall have more than one third of its staff from the same ethnic community.

1897. The Management is therefore in breach of the law.

Management response

1898. Subsequent to fiscal year 2018/2019, the Institute management and Board ensured to observe National Cohesion and Integration Act, Cap.7N by ensuring that diversity of the people is achieved by employing staff from the outside the county.

1899. This is evidenced in the minutes for Interviewing panel of ICT trainers, secretaries and ICT technician intern min 4/interviews/10/2/2023 dated 10th February on page 5 of 5.

Committee Observation

1900. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, Cap. 7N and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendations

1901. 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.

19.2.11 Failure to Carry Out Board of Survey

1902. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.2.12 Lack of an Internal Audit Department and an Audit Committee

1903. The Institute has not established an audit department and audit committee. No explanation has been given for failure to establish the audit committee and internal audit department.

Management response

1904. In the fiscal year 2022/2023, the Board of Governors hired the Institute's internal auditor officer, who reported on 3rd April 2023.

1905. Furthermore, as part of the reconstitution process for the current board service spanning 2022 to 2025, an audit committee was formed. Attached are the board minutes detailing the establishment of the various board committees, including the audit committee.

Committee Observation

1906. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response having verified an approved and operational audit committee.

19.2.13 Lack of a Human Resource Department and Staff Establishment

1907. The Institute did not have a Human Resource Department and it was noticed that payrolls were being processed through Microsoft Excel and were not processed through Integrated Payroll and Payroll Database (IPPD).

1908. Further, it was noted that Institute did not have approved staff establishment to indicate authorized staffing levels in position for each category and variance. No evidence was provided to prove that the Institute had carried out job evaluation to determine the staff requirement for each category as such.

1909. It was therefore, not possible to confirm whether the Institute had engaged the optimal number of employees for all its categories.

1910. Under the circumstances, the existence of effective controls in the management of human resources in the Institute could not be confirmed.

Management response

1911. In the fiscal year 2022/2023, the Board of Governors hired the Institute's Human Resources officer, who reported on 3rd April 2023.

1912. The Institute's Board of Governors, subsequently acquired an ERP system for the Institute in an attempt of trying a workable integration of the payroll system to IPPD. Installation was finalized in fiscal year 2023 and currently, integration option is under trial.

1913. The Human Resource officer hired during the 2022/2023 fiscal year has played a crucial role in establishing and maintaining the staff establishment.

Committee Observation

1914. The Committee noted that the management subsequently regularised by having an approved staff establishment and an operational human resource department.

19.2.14 Failure to have an Approved ICT Policy

1915. It was noted that the Institution did not have an ICT Policy and Business Continuity Plan that stipulates how ICT related risk are identified, managed and how to utilize ICT in monitoring the performance of the Institute.

1916. Consequently, the Institute's IT assets may not be efficiently utilized and the Institute may be exposed to ICT security threats.

Management response

1917. Subsequently, the Board of Governors collaborated with the management to develop an ICT policy, which was completed and sanctioned in the fiscal year 2022/2023.

1918. The management has also developed a business Continuity and Disaster recovery plan which is still at the draft level.

Committee Observation

1919. The Committee noted that the management subsequently regularised by having an approved ICT Policy.

19.2.15 Lack of a Debtors and Creditors Policies

1920. The Institution did not have a policy on debtors or creditors that stipulates how to deal with the debtors and creditors. Further ageing analysis for both creditors and debtors was not done as required. Consequently, the Institute's ability to manage its resources and operations without clear guidelines may be weak.

Management response

1921. In the year 2024/2025, the management has developed debtors and creditors policy manual which is at the draft stage awaiting board discussion and approval.

1922. Prior to year 2020/2021, the Institute was operating with a cash basis system named as Abno which was not able to generate creditors and debtors age listings. The Institute's acquisition of an ERP system has streamlined the process of generating creditors and debtors aging listings.

Committee Observation

1923. The Committee noted that the management subsequently regularised by having an approved debtors and creditors policy.

19.3 Audited statements for Financial Year 2021/2022

19.3.1 Unsupported Receivables from Exchange Transactions

1924. The statement of financial position and as disclosed in Note 17 to the financial statements, reflects receivables from exchange transactions balance of Kshs.101, 253,192. However, debtors' ageing analysis was not provided to identify longstanding debtors and to review their collectability.in addition, the institute did not have an approved policy on debtors management.

1925. In the circumstances, the accuracy of receivables from exchange transactions of Kshs. 101,253,192 could not be confirmed.

Management Response

1926. The debtors' ageing analysis report was later retrieved. The debtors` policy was in draft and has been approved

Committee Observation

1927. The Committee noted that the management subsequently regularised by developing a debtors' ageing analysis which would help in the institution's debt recovery.

19.3.2 Budgetary Control and Performance

1928. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

19.3.3 Irregular procurement of Management Information system.

1929. Review of financial records revealed that the Institute entered into a contract with a Computer Systems firm on 25 June, 2021 for supply, installation training and implementation of an integrated enterprise resource planning system with four modules namely admissions/registry, financial, procurement and examination management at a cost of Kshs.2,900,000. The method of procurement used was request for quotations. However, the firm was not prequalified as required by Section 93(1) of the Public Procurement and Asset Disposal Act, Cap. 412C and therefore request for quotation should not have been applied in this case. Further scrutiny of the documents revealed that the institute had negotiated with the supplier for additional modules namely human resource and payroll, institute portal, timetable, assets, library and bank integration at an additional cost of Kshs.7,192,000 via minutes dated 23 September, 2021.However, no evidence was provided to indicate that the additional modules procured were done in accordance with the provisions of the Public Procurement and Asset Disposal Act, Cap. 412C and its regulations in respect to direct procurement.

1930. In addition, as at the time of audit the vendor had been paid a total of Kshs.11,115,000 resulting to an overpayment of Kshs.1,023,000 in respect to total contract amount of Kshs.10,092,000.

1931. In the circumstances, Management was in breach of the law.

Management Response

1932. During the FY 2021/2022, we did not prequalify service provider under this category. The management requested and adopted list of prequalified Service Providers from Sikri Technical Training Institute (Public Institution) which was a product of a competitive process.

Committee Observation

1933. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

19.3.4 Non-Compliance with the Minimum wages.

1934. Guidelines Review of the payroll revealed that fifteen (15) employees' salaries were below the minimum wage, which was in contravention of the Regulation of Wages (General) (Amendment) Order, 2018. In the circumstances, Management was in breach of the regulations. (Amendment) Order, 2018. In the circumstances, management was in breach of the regulation.

Management Response

1935. During the year under review, the Institute was reviewing salaries and wages to comply with the wage rates regulations and all applicable labour laws

Committee Observation

1936. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

19.3.5 Irregular Increase of Board Allowances

1937. Review of the board remuneration ledger and board minutes REF: BTTI/BOG/2022-2025IVOL/01 agenda MIN/BTTI/BOG/5/26/04/2022 on Board allowances, revealed that the board members agreed to raise their allowances to Kshs.20,000 exclusive of a transport allowance of Kshs 6,000. The Technical and Vocational Education and Training Act, Cap. 210A, Second Schedule under Section 17 states that approval of the Cabinet Secretary is required with respect to board member services such as remuneration or allowances. The Institute was unable to provide an approval to the same effect. In the circumstances, the regularity of the expenditure on Board allowances could not be confirmed.

Management Response

1938. The Board of Governors requested approval by the Cabinet Secretary to pay as per the rates given by the letter which was approved by the circular from the Ministry.

Committee Observation

1939. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

19.3.4 Failure to prepare Human Resource plans.

1940. Review of records revealed that the Institute did not maintain a scheme of service for its employees, showing clearly the points of entry into employment, academic or technical requirements, career progression, promotion requirements, establishment requirements per cadre, and others. Further, during the year under review, the institute did not have an approved staff establishment, and thus it was not clear how positions were filled. Therefore, it was not possible to determine whether the Institute had optimum staff or not. This was contrary to the Human Resource Policies and Procedures Manual for the Public Service, 2016 Section B2(1) states that every Ministry/State Department shall prepare Human Resource Plans to support the achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs. In the circumstances, the Institute did not have human resource plans to support.

Management Response

1941. During the year under review, the Institute was developing required Human Resource Instruments such as Staff establishment, Human Resource Plans, and career progression.

Committee Observation

1942. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

19.3.5 Lack of Risk Management and ICT Policy

1943. The Institute Management had not put in place a risk management policy, strategies, or a risk register to mitigate against risk. Therefore, it was not clear how the Management manages risk exposures. This is in contravention of Regulation 165 (1)(a) and(b)of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and the county government entity develops a system of risk management and internal control that builds

robust business operations. Further, the Institution did not have an lCT Policy and Business Continuity Plan that stipulates how ICT related risk are identified, managed and how to utilize ICT in monitoring the performance of the Institute. In the circumstances, the institute's lT assets may not be efficiently utilized and the Institute may be exposed to lCT security

Management Response

1944. The Governing Council have approved Risk Management and ICT Policy, and have been implemented.

1945. The management has also developed a Business Continuity Plan and ICT Disaster Recovery Plan, which have been approved by the Board.

Committee Observation

1946. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

20.0 RIFT VALLEY TECHNICAL TRAINING INSTITUTE

1947. Ms. Loice Kutoh, The Principal, accompanied by;

i. CPA. James Kosgei- Finance officer
ii. CPA. J.K Kathi - Internal Auditor

Appeared before the Committee to adduce evidence on the audited accounts of Rift Valley Technical Training Institute, on 31st July 2024.

20.1 Audited statements for Financial Year 2018/19(Disclaimer of Opinion)

20.1.1 Failure to Submit Financial Statements

1948. The Management of Rift Valley Technical Training Institute did not prepare and submit for audit financial statements for the financial year 2017/2018. This was contrary to the requirements of The National Treasury and Planning circular referenced AG.4/16/2 Vol.2/(87) of 07 September, 2018 and Section 68(2)(k) of the Public Finance Management Act, Cap. 412A which requires the Management to submit the financial

statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate.

1949. Under the circumstances, the accuracy, completeness and validity of the comparative figures reflected in the financial statements for the year under review, could not be confirmed.

Management Response

1950. The financial statements for the year ended 30 June 2018 was audited by the Directorate of the school's audit services, under the Ministry of Education.

Committee Observation

1951. The matter is resolved. Management's explanation that the statements for FY 2017/2018 were audited by the Directorate of the school's audit services under the Ministry of Education was satisfactory

20.1.2 Inaccuracies in Cash and Cash Equivalents: Bank Balances

1952. As disclosed in Note 28 to the financial statements, the statement of financial position reflects cash and cash equivalents figure of Kshs.90,747,058 as at 30 June, 2019. However, summation of the balances in respect to nine bank accounts included in Note 28 to the financial statements indicates a sum of Kshs.90,811,498 resulting to a variance of Kshs. 64,440 which had not been reconciled or explained.

1953. Further, cashbooks, bank statements, bank confirmation certificates or bank reconciliation statements in support of the balances in respect of seven bank accounts were not provided for audit verification.

Management Response

1954. The variance of Kshs. 64,440 was a result of an error in summation. The cashbooks, bank statements, bank confirmation certificates and bank reconciliation statements in support of the balances in respect of the bank accounts balances have been now availed for audit verification.

Committee Observation

1955.The bank certificates for the balances of Standard Chartered Bank, the bank reconciliation statements for seven (7) banks, and the balances of two Chase Bank accounts were not provided for audit verification

Committee Recommendation

1956.The Accounting Officer ensures that the availed cashbooks, bank statements, bank confirmation certificates, and bank reconciliation statements are verified by the Auditor-General to substantiate the accuracy and validity of the cash and cash equivalents balance and the office of the OAG to report in subsequent audits.

20.1.3 Inaccuracies in Cash and Cash Equivalents: Stale Cheques

1957.A review of bank reconciliation statements for bank account numbers 003121258030 and 0031258049 at ABSA Bank in Eldoret revealed unpresented cheques totalling Kshs 2,052,042 and Kshs24,646,389 respectively which were already stale as at 30 June, 2019. However, no reason was provided for the delay in reversing the stale cheques in the cash book. Further, the monthly reconciliations provided for audit did not indicate the dates of the cheques or when they were cleared through the bank.

1958.In the circumstances, the accuracy, completeness and validity of the cash and cash equivalents balance of Kshs.90,747,058 as at 30 June, 2019 could not be confirmed.

Management Response

1959.The management of the Institute have ensured that the stale Cheques of Kshs.26, 698,341 have been dully reversed in the books and records of accounts in the subsequent financial year 2019/2020 in the beginning of the first month, that is the month of July dated 12th July, 2020. This has indicated from the initial financial statements cash and cash subsequent is a figure of Ksh.65, 737,102 whereas the actual cash and cash equivalent as per the workings below is Ksh.90, 747,058 which translates to the (65,737,102 + 26,698,431) after the reversal entries is effected.

Committee Observation

1960.The matter is addressed. The stale cheques were reversed.

20.1.4 Student Debtors

1961. As disclosed in Note 29 to the financial statement, the statement of financial position reflects student debtors balance of Kshs.38,897,507. However, the list of student debtors and ageing analysis of the debtors were not provided for audit verification. Further, review of invoicing records for capitation from the National Government showed that some students were double invoiced for fees totalling Kshs. 11,640,000, thus overstating the outstanding balance during the year under review.

1962. In addition, no provision for bad and doubtful debts has been made in the financial statements.

1963. Consequently, the accuracy and validity of student debtors balance of Kshs. 38,897,507 as at 30 June, 2019 could not be confirmed.

Management Response

1964. Under Section 14 (1) of the TVET Act, Cap. 210A, the management and board shall cause to be kept books and records of the income, expenditure, assets and liabilities of the Institute. During the audit conducted on 30th August 2020, students' debt figure Kshs. 38,897,507 under note 29 to the financial statements was reported. The management has availed the list of the student's debtors. Our system in use capturing student ledgers is not able to carry out an ageing analysis thereby prompting a manual intervention. As analyzed, the students' debts were aged as below: -

3 Months	**6 Months**	**9 months**	**Over 12 months**
20,530,450	5,756,297	4,280,340	8,330,420

Committee Observation

1965. Management subsequently provided the list of student debtors and a manual aging analysis (indicating Kshs. 8,330,420 is outstanding for over 12 months). The current system, however, lacks the capacity to automatically generate the necessary aging analysis, necessitating reliance on manual intervention.

Committee Recommendation

1966. The management should establish a formal policy regarding the recognition of impairment and incorporate appropriate provisions for bad and doubtful debts in the financial statements going forward.

20.1.5 Property Plant and Equipment

1967. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,753,433,096. Available information indicates that the assets were revalued and a valuation report issued on 31 March, 2014 which indicated the value of assets to be Kshs. 1,762,075,000. However, the assets had not been depreciated for the period from 31 March, 2014 to 30 June, 2018. Further, Note 33 to the financial statements reflects depreciation charge on furniture and fitting of Kshs.63,732,213 instead of the correct figure of Kshs.6,373,213 resulting to a variance of Kshs.57,359,000 which has not been reconciled or explained.

1968. In addition, the fixed assets register and interim certificates for work in progress were not provided for audit verification.

1969. In the circumstances, the accuracy and completeness of the property, plant and equipment balance as at 30 June, 2019 could not be confirmed.

Management Response

1970. The assets were not depreciated in the prior years since the institute had not developed a depreciation policy.

1971. Depreciation figure of Kshs. 63,732,213 reflected in the PPE was a typing error and the correct figure of Kshs.6,373,213 was used thus the correct figure of Kshs. 57,358,913 was used in the accounts.

Committee Observation

1972. The matter is resolved. The fixed asset register and the schedules on trade payables were provided.

20.1.6 Trade Payables from Exchange Transactions

1973. The statement of financial position reflects a balance of Kshs. 18,142,734 in respect of trade and other payables from exchange transactions which differs with the supporting

schedule figure of Kshs. 8,061,678 resulting to unreconciled variance of Kshs. 10,081,056.

1974. In the circumstances, the accuracy and completeness of other payables from exchange transactions of Kshs. 18,142,734 as at 30 June, 2019 could not be confirmed.

Management Response

1975. A complete supporting schedule supporting the trade payables figure of Kshs. 18,142,734 is herein attached and has been availed for audit verification.

Committee Observation

1976. The matter is resolved. The supporting schedules were provided.

20.1.7 Inventories

1977. The statement of financial position as at 30 June, 2019 reflects inventories balance of Kshs 2,100,000. However, the Institute did not have a stock valuation policy and the inventories are valued using the purchase price which was not supported with verifiable documents.

1978. Consequently, the validity and accuracy of inventories balance of Kshs. 2,100,000 could not be confirmed.

Management Response

1979. Inventory shall be initially measured at cost. Inventory received through non-exchange transactions (for no cost or for a nominal cost) shall be recorded at its fair value at the date of acquisition. Subsequently, inventory shall be measured at the lower of cost and net realizable value.

1980. The valuation of stocks is based on this policy which is also disclosed under notes to financial statements (i) on Inventories page 28 of the financial statements.

Committee Observation

1981. Management has subsequently adopted a formal inventory policy, which requires inventory to be measured at the lower of cost and net realizable value or fair value for

non-exchange transactions, no verifiable documents were, however, provided for verification.

Committee Recommendation

1982. Management, in consultation with the OAG, to provide the required documentation, and the OAG will verify and report on the matter in subsequent audits.

20.1.8 Inaccuracies in Statements of Cash Flows

1983. The statement of cash flows for the year ended 30 June, 2019 reflects increase in differed income of Kshs.77,576 which was not supported and is not reflected in the statement of financial position. Further, the statement reflects a balance of Kshs. 48,238,885 in respect of net increase/decrease in cash and cash equivalents as at 30 June, 2019. However, the summation of the items reflected in the statement indicates a sum of Kshs.26,081,217, resulting to unexplained variance of Kshs 22,157,668.

1984. In addition, the statement reflects aggregate expenditure of Kshs. 264,816,863 which also differed with the correct sum of Kshs. 264,928,576 resulting to unexplained variance of Kshs. 111,713.

1985. As a result of the anomalies, the accuracy and validity of the statement of cash flows has not been confirmed.

Management Response

1986. The stated errors were due to casting errors and misstatements.

Committee Observation

1987. There were many errors in the financial statement attributed to the lack of capacity of the officers preparing the financial statements.

Committee Recommendation

1988. Management must ensure that capacity building and training programs are implemented for officers responsible for preparing financial statements to ensure accuracy and competence, thereby reducing errors and improving the quality of financial reporting.

20.1.9 Unsupported Reserves

1989. The statement of financial position reflects a balance of Kshs. 56,497,876 under reserves. However, the Management did not provide details and ledger in support of the amount.

1990. Consequently, the accuracy and validity of the reserves as at 30 June, 2019 could be confirmed.

Management Response

1991. This was a revaluation gain from the previous years which is correctly captured in the statement of changes in net assets.

Committee Observation

1992. The Committee observes that the accuracy and validity of the statement of cash flows could not be confirmed due to significant casting errors and misstatements acknowledged by Management.

Committee Recommendation

1993. The Accounting Officer promptly institutes stringent internal controls and review mechanisms to prevent the recurrence of casting errors and misstatements during the preparation of financial statements.

20.1.10 Lack of Internal Audit, Audit Committee and Risk Management Policy

Management Response

1994. Management in the said financial year did not have an internal audit function in place but had a strong internal control guided by the Quality Management System Policy having the finance and accounts with approved procedure manual as its policy framework.

1995. Management and its Governing Board being keen on this, have established the Internal Audit function which is fully operational with its own charter. The management has also organized for several continuous professional trainings/development for staff in the said function.

Committee Observation

1996. Management has subsequently established a fully operational Internal Audit function with its own charter and instituted continuous professional training, mitigating the deficiency identified.

20.1.11 Lack of Audit Committee

1997. During the year under review, the Institute operated without Internal audit function. This is contrary to Section 73(1)(a) the Public Finance Management Act, Cap. 412A which provides that every national government entity shall 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.

1998. Report of the Auditor-General on Rift Valley Technical Training Institute for the year ended 30 June, 2019 that every National Government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

1999. As a result, the Institute lacks internal structures which could provide advice and assurance to the management regarding effectiveness of the Institute's internal controls governance and risk management.

Management Response

2000. There was a slight delay to constitute its risk and Audit Committee on time because of lean Board of Governors since the regulations requires that the Board Audit Committee members be very independent and not serve in any other committees. Therefore, currently the committee in question is in place and is quite independent from the functions of the institute as required by the Act. The Audit and Risk Committee members list is at.

Committee Observation

2001. The Committee observes that the Institute's operation without a functional Internal Audit capacity or an Audit Committee was contrary to Section 73(1)(a) of the Public Finance Management Act, Cap. 412A.

Committee Recommendation

2002. The management to ensure the Audit Committee operates fully within its mandate, providing timely advice and assurance to the Institute regarding internal controls, governance, and risk management.

20.1.12 Lack of Audit Committee

2003. Section 73(5) of the Public Finance Management Act, Cap. 412A 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.

2004. In the circumstances, the effectiveness of the internal controls, risk management and governance of the Institute could not be confirmed.

Management Response

2005. There was a slight delay to constitute its risk and Audit Committee on time because of lean Board of Governors since the regulations requires that the Board Audit Committee members be very independent and not serve in any other committees. Therefore, currently the committee in question is in place and is quite independent from the functions of the institute as required by the Act.

Committee Observation

2006. The Committee notes Management's response that the Audit and Risk Committee is now constituted and operating independently as required by the Act.

20.1.13 Failure to Develop Risk Management Policy

2007. Contrary to Regulation 165(5) of the Public Finance Management (National Government) Regulations, 2015, the Institute did not have a risk management policy, risk management strategies and a system of risk management in order to improve on effective and efficient management of public resources. Further, Treasury Circular No. 3/2009 of 23 February, 2009 provided a broad policy framework for developing and implementing customized risk management strategies in public institutions through an Institutional Risk Management Policy Framework (IRMPF):

2008. In the absence of a formal approved risk management framework, the ability to identify risks and management strategies to counter the risks could be compromised.

Management Response

2009. In the financial year 2018/2019, the Institute had not established Risk Management Committee as required by Treasury Circular No.3/2009 of 23rd February,2009 that provided some broad policy framework guidelines for developing and implementing customized Risk Management Strategies in the Public Institutions. The institute was then ISO Certified 900:2015 and the Internal Quality System Auditors were tasked to carry on with the responsibility. Further to this, the Institute established Internal Audit Unit towards the end of financial year 2018/2019 which became fully effective in the subsequent financial years.

Committee Observation

2010. The Committee observes that the Institute's operation without an approved risk management policy and strategies constituted a breach of Regulation 165(5) of the Public Finance Management (National Government) Regulations, 2015.

Committee Recommendation

2011. The management should utilize the fully operational Internal Audit Unit to systematically review and monitor risk exposure and mitigation measures going forward.

20.1.14 Lack of IT Policy

2012. A review of the Institute's IT internal controls revealed that the Institute did not have an IT Strategic Committee, IT Steering Committee, IT Security Policy, Emergency procedures and an approved back up and retention strategy in place. This was contrary to the requirements under Regulation 165(5) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting officer shall ensure that the national government entity develops a system of risk management and internal control that builds robust business operations. Such controls include appropriate access controls needed to minimize breaches in systems of information, confidentiality, data integrity and loss of business continuity.

2013. Further, the Institute Management has no back-up data stored in an off-site location and therefore in case of any interruptions the Institute might not recover, this may affect the business-continuity and recovery plan.

2014. Consequently, IT governance and IT controls were not effective during the year under review.

Management Response

2015. The Institute have IT strategic committee, IT steering Committee, IT Security Policy, Emergency procedures and an approved back up and retention strategy have been put in place and IT governance and IT controls are effective.

2016. The institution data is automatically backed up daily and stored in the cloud.

Committee Observation

2017. The matter is resolved. The necessary committees, policies (IT Strategic Committee, IT Steering Committee, IT Security Policy), and procedures (Emergency procedures and an approved backup and retention strategy) have been put in place, and that data is automatically backed up daily and stored in the cloud.

20.2 Audited statements for Financial Year 2019/2020 (Qualified Opinion)

20.2.1 Un Supported Property Plant and Equipment

2018. As disclosed in Note 16 to the financial statements, the statement of financial position reflects property, plant and equipment of Kshs. 1,784,269,955 as at 30 June, 2020. However, included in the property plant and equipment balance is work in progress amounting to Kshs.31,713,331 whose contract documents and interim certificates for work in progress were not provided. No explanation was provided for failure to complete the work in progress which has remained the same as the previous year (2018-2019).

2019. In addition, the property plant and equipment balance includes additions of Kshs.29,511,581. Included in additions is a balance of Kshs. 10,457,850 in respect of procured motor vehicles. However, motor vehicle procurement documents were not provided.

2020. In the circumstances, the accuracy and validity of the property, plant and equipment balance of Kshs. 1,784,269,955 as at 30 June, 2020 could not be confirmed.

Management response

2021. The management has provided contract documents and interim certificates for the work in progress.

2022. First and second floor of work-in-progress was funded by GoK funds. Due to inadequate facilities, the institution through internally generated funds started funding of the third-floor construction. Because of decreased capitation and cash flows, the project completion delayed but has now been completed and is currently in use.

2023. The documents on addition of motor vehicles have now been provided.

Committee Observation

2024. The matter is addressed. The project completion was delayed due to decreased capitation and cash flows but the project has since been completed and is currently in use. The Committee further notes that Management has provided all outstanding documentation for both the WIP and motor vehicles for audit verification.

20.2.2 Unreconciled Cash and Cash Equivalents

2025. As disclosed in Note 12 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs. 56,919,550 as at 30 June, 2020 which is at variance with reconciled cash book balance of Kshs.51,026,635 resulting to unexplained or unreconciled variance of Kshs.7,892,915,

2026. Further, stale cheques amounting to Kshs. 651,968 had not been reversed and cheques amounting to Kshs.5,621,009 were unpresented.

2027. Consequently, the accuracy and completeness of cash and cash equivalents of Kshs. 58,919,550 as at 30 June, 2020 could not be confirmed.

Management response

2028. The variance of Kshs. 7,892,915 resulted from omission of standard chartered bank fixed deposit Account number **01520165512** whose bank balance was Kshs. 7,192,917 and a typing error in Absa account number **0031258030** which was reflected as Kshs. 28,811,225 Instead of Kshs. 28,111,225. (28,811,225-28,111,225=700,000) I.E

i. Omitted standard chartered account number 015201655512 7,192,917

ii. Absa bank account 0031258030 typing error 700,000

iii. Corrected financial statement figure **7,892,917**

iv. After analysis, cash book has been updated by reversing back the stale cheques of Kshs. 651,968.

v. The stale cheques amounting to 651,968 have been reversed back to the cashbook.

Unpresented Cheques amounting to Kshs. 5,621,009 were cleared.

Committee Observation

2029. The matter is resolved. The variance resulted from the omission of a Standard Chartered fixed deposit account and a typing error in an Absa account. The stale cheques have been subsequently reversed and the unpresented cheques cleared.

20.2.3 Misstated Employee costs

2030. As disclosed in Note 7 to the financial statements, the statement of financial performance reflects employee costs of Kshs.56,581,099 for the year ended 30 June, 2020. A review of the supporting schedule reflected expenses of Kshs.7,473,999 not related to employee costs.

2031. Consequently, the accuracy and completeness of employee costs of Kshs. 56,581,099 as at 30 June, 2020 could not be confirmed.

Management response

2032. As guided by the auditors, the classification of expenses amounting to Kshs. 7,473,999 under employee costs was erroneous and this has since been properly classified in the subsequent financial statements.

Committee Observation

2033. The matter is addressed. The misclassification has been properly rectified in the subsequent financial statements, as guided by the auditors.

20.2.4 Unsupported Receivables from Exchange Transactions

2034. As disclosed in Note 13 to the financial statements, the statement of financial position reflects receivables from exchange transactions amounting to Kshs 114,462,848 as at 30

June, 2020. The comparative balance reflects an amount of Kshs.38,917,889 therefore indicating an increase of Kshs.75,544,939 or 64% in the year under review. Further, the receivables include examination debtors of Kshs.45,678,818 which were not supported. In addition, the management did not provide a debtor's policy and aging analysis.

2035. In the circumstances, the accuracy and completeness of receivables from exchange transactions of Kshs. 114,462,848 as at 30 June, 2020 could not be confirmed.

Management Response

2036. The examination debtors schedule has been of Kshs. 45,678,818 has now been availed for audit verification. Further, the management is pursuing a system upgrade in order to analyze the debtors according to age. Section 4.4 of RVVTI Financial Procedures Manual on Management of Receivables provides policy on management of debtors.

Committee Observation

2037. The matter is resolved. The correct list amounting to Kshs. 11,911,051 was provided. The list of Kshs. 18,143,399, which included payables that had been settled, was also provided.

20.2.5 Trade and other payables from Exchange Transactions

2038. As disclosed in Note 17 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions of Kshs. 11,911,051 as at 30 June, 2020. However, the list of creditors provided supported payables totaling to Kshs. 18,143,399 resulting to unexplained variance of Kshs.6,232,348. Further, procurement records to support the creditors bills of Kshs. 11,911,734 were not provided.

2039. In the circumstances, the validity, accuracy, and completeness of trade and other payables balance of Kshs. 11,911,051 as at 30 June, 2020 could not be confirmed.

Management Response

2040. The correct list amounting to Kshs. 11,911,051 has been provided. The list of Kshs. 18,143,399 included payables which had been settled.

Committee Observation

2041. The matter is addressed. The supporting schedules for Kshs. 11,911,051 was provided for audit verification.

20.2.6 Refundable Customer Deposits

2042. As disclosed in Note 18 to the financial statements, the statement of financial position reflects refundable deposits from customers of Kshs. 12,181,030 as at 30 June, 2020. However, customer deposits amounting to Kshs.7,880,616 were not supported by detailed schedules. Further, the Management did not maintain a separate bank account for the customers deposits.

2043. In the circumstances, the accuracy, completeness and existence of the customers deposits of Kshs. 12,181,030 as at 30 June, 2020 could not be confirmed.

Management response

2044. A detailed Customer deposits schedule has been provided for audit verification.

2045. It's true the management did not maintain a separate bank account for the deposits. However, a deposits ledger was maintained for the deposit's funds. Further, with the treasury requirement of moving towards Treasury Single Account, the opening of a new bank account has been put on hold.

Committee Observation

2046. The matter is addressed. A detailed Customer deposit schedule was provided for audit verification.

20.2.7 Inventories

2047. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.2.8 Rental Revenue from Facilities and Equipment

2048. As disclosed in Note 4 to the financial statements, the statement of financial performance reflects rental revenue from facilities and equipment balance of Kshs.938,481 as at 30 June, 2020, However, lease agreements were not provided.

2049. Consequently, the validity and occurrence of rental revenue of Kshs.938,481 as at 30 June, 2020 could not be confirmed.

Management Response

2050. Management has provided letters of allocation of houses to staff, indicating the rents payable as approved by the board.

Committee Observation

2051. The matter is still outstanding. The rental facilities were not supported by lease agreements.

Committee Recommendation

2052. The Management must ensure that comprehensive documentation, such as formal agreements or allocation letters approved by the board, is maintained for all income-generating assets to ensure compliance with financial accountability requirements.

20.2.9 Teachers' Allowances Charged to Training Expenses

2053. As disclosed in Note 6 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects Kshs. 192,244,549 in respect of Use of Goods and Services. Included in this balance is an amount of Kshs.43,471,328 relating to training expenses. Included in the training expenses are allowances paid to teachers amounting to Kshs. 14,418,786 which should form part of personnel emoluments. Further, the payments were not supported and not budgeted.

2054. Consequently, the validity of Teachers' allowances amounting to Kshs. 14,418,786 could not be confirmed.

Committee Observation

2055. The matter is resolved. The Payment Vouchers supporting the payments have been availed for audit verification.

20.2.10 Lack of approved budget

2056. The statement of comparison of budget and actual amounts for year ended 2020 reflects income of Kshs.342,920,820 and total payments of Kshs, 336,879,208 for the year ended 30 June 2019. However, the management did not provide the approved budget contrary to paragraph 22 of the Second schedule of the Technical and Vocational Education and Training Act, Cap. 210A which stipulates that Board of Governors may incur expenditure for the purpose of the institution in accordance with the estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior approval of the Cabinet Secretary.

2057. The Management of the Institute is in breach of the law and the validity of the payments amounting to Kshs. 336,879,208 as at 30 June, 2020 could not be confirmed.

Management Response

2058. An approved budget for the financial year 2019.2020 together with approving minutes, has been provided. The endorsed copy by ministry of Education was, however not traced.

Committee Observation

2059. The Committee observes that the failure by Management to initially provide the approved budget was contrary to paragraph 22 of the Second Schedule of the Technical and Vocational Education and Training Act, Cap. 210A

Committee Recommendation

2060. The Accounting Officer must ensure rigorous efforts are made to trace and provide the endorsed copy of the budget from the Ministry of Education to confirm full statutory compliance.

20.2.11Staff Establishment

2061. A review of the staff establishment provided indicated that the institute has an approved staff establishment that excluded positions currently held by one hundred and thirty-one (131) staff deployed by Public Service Commission. As a result, the staff establishment do not show the optimal staffing levels of the Institute.

2062. In the absence of approved staff establishment, the institution may not be able to determine the optimum size of personnel establishment to discharge services to the stakeholders of the institute.

Management Response

2063. No response provided

Committee Observation

2064. The matter is resolved. The staff establishment is currently in place.

20.2.12 Risk Management Policy

2065. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.2.13 Lack of Information Communication Technology (ICT) Policy

2066. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3 Audited statements for Financial Year 2020/2021

20.3.1 Rental Revenue from Facilities and Equipment

2067. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.2 Property, Plant and Equipment: Non-Separation of Land and Buildings

2068. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,743,266,938 which includes land and building balance of Kshs. 1,440,067,046 as disclosed in Note 15 to the financial statements. The land and buildings balance of Kshs. 1,440,067,046 relates to net book value for buildings and land combined.

2069. Therefore, the cost of land and building in respect of the property is not separated as required by paragraph 74 of IPSAS 17-property, plant and equipment which provides that land and buildings are separable assets and are accounted for separately, even when they are acquired together.

2070. In the circumstances, the completeness and accuracy of the land and buildings balance Kshs. 1,440.067,046 could not be confirmed.

Management Response

2071. The classification of land and buildings together was erroneous. A valuation of the land and buildings has been done by the management and a report showing separate land and buildings values is attached as Appendix III. These have now been separately presented in the subsequent financial statements.

Committee Observation

2072. The matter is resolved. The valuation of the land and buildings has been completed to provide separate values, which have now been separately presented in the subsequent financial statements.

20.3.3 Valuation of Property, Plant and Equipment

2073. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,743,266,938 which includes land and building, motor vehicles, furniture and fittings, computers and plant and equipment and library books as disclosed in Note 15 to the financial statements. However, the fair value of the fixed assets differs from its carrying amount/Net book value thus necessitating the need of valuation of fixed assets in accordance with paragraph 49 of IPSAS 17- property, plant and equipment which provides that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary.

2074. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,743,266,938 could not be confirmed.

Management Response

2075. The valuation of property, plant and Equipment has been done and the valuation report is attached.

Committee Observation

2076. The matter is resolved. The Valuation of Property, Plant and Equipment has subsequently been done and the valuation report was provided.

20.3.4 Inaccuracies in Receivables from exchange transactions

2077. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.5 Receivables from Non-Exchange Transactions

2078. The statement of financial position reflect receivables from non-exchange transactions balance of Kshs. 70,875,000 owed by the State Department of Vocational Training in respect of under disbursed student capitation fees for the year as disclosed in Note 13 to the financial statements. However, the outstanding amount had not been settled by the State Department of Vocational Training and therefore its recoverability is doubtful.

2079. In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.70,875,000 could not be confirmed.

Management Response

2080. This amount was subsequently received by the institution and the balance cleared.

Committee Observation

2081. The matter is resolved. This amount was subsequently received by the institution, and the balance was cleared.

20.3.6 Unsupported Inventories

2082. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.7 Budgetary Control and Performance

2083. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.8 Unresolved Prior Year Matters

2084. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.9 Lack of Approved Staff Establishment

2085. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.10 Failure to Observe One Third Rule on Staff Composition

2086. A review of personnel records provided for audit revealed that the Institute had ten (10) members of the Board of Governors where five (5) or 50% were from the dominant community. Further, the Institute employed a total of two hundred and three (203) employees where one hundred and fifty seven (157) or 73%, were from dominant community contrary to Sections 7(1)(2) of National Cohesion and Integration Act, Cap. 7N which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

2087. In the circumstances, Management was in breach of the law.

Management Response

2088. The current staff composition is historical. However, management has put in place appropriate measures to ensure that any new employment or appointments represent the diversity of the Kenyan people.

Committee Observation

2089. The Committee notes the Management's failure to provide an approved staff establishment to confirm the legitimacy of the Kshs. 61,059,375 employee costs, thereby breaching public service human resource policies, although the comprehensive staff establishment has now been provided.

Committee Recommendation

2090. The Accounting Officer must ensure the permanent maintenance and annual review of the comprehensive staff establishment, ensuring full compliance with Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service.

20.3.11 Employees Receiving Net Pay Less than a third of their Basic Salaries

2091. Review of the payroll revealed instances where some employees of the Institute were receiving net salaries which were less than a third of their respective basic salaries contrary to Section 19(3) of the Employment Act, Cap.226 which provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

2092. In the circumstances, Management was in breach of the law.

Management Response

2093. Management will adhere to Employment Act, Cap. 226 to ensure that no member earns less than one third of their basic salaries. Also, management has implemented payroll controls where no employee earns less than one third of their pay.

Committee Observation

2094. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the response provided by management.

20.3.12 Lack of Occupational Safety and Health Committee

2095. Audit review of the institution, as an occupier, revealed that the institution did not have in place a safety and health committee at the workplace during the year. contrary to Section 9(1) of the Occupational Safety and Health Act, Cap. 236A which requires every occupier to establish a safety and health committee at the workplace in accordance with regulations prescribed by the Minister if (a) there are twenty or more persons employed at the workplace; or (b) the Director directs the establishment of such a committee at any other workplace. Further, there was no evidence of safety and health audit contrary to Section 11(1) which stipulates that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor.

2096. In the circumstances, Management was in breach of the law.

Management Response

2097. Management has constituted a safety and health committee. Conduct of safety and health audit of the workplace as required by the Occupational Safety and Health Act, Cap. 236A, has been undertaken and a report is attached.

Committee Observation

2098. The matter is resolved. There's currently an Occupational Safety and Health Committee in place.

20.3.13 Lack of Tagging of Fixed Assets

2099. The statement of financial position reflects property, plant and equipment amount of Kshs. 1,743,266,938 which includes land and buildings, furniture and fittings, computer and plant and equipment all totaling to Kshs. 1,643,680,861 as disclosed in Note 15 to the financial statements. However, Management has not tagged or branded its assets.

2100. In the circumstances, the institution is likely to lose its assets due to weak controls in asset monitoring and controls.

Management Response

2101. Management has undertaken tagging/branding/labeling of all the institution's assets as indicated in the asset register.

Committee Observation

2102. The matter is resolved. The tagging of assets is currently being undertaken.

20.3.14 Weak ICT Internal Control Environment

2103. The Committee observed that the matter has been addressed in previous financial years and reiterates its recommendations.

20.3.15 Lack of Creditors Management Policy

2104. During the year, the Institute did not have in place a Creditors' Management policy which may lead to non-identification of credit risks and appropriate measures to manage them.

Management Response

2105. The Head of Finance shall be responsible for the management of RVTTI payables by ensuring that:

i. Liabilities shall be recognized when incurred.
ii. Reconciliations between the Supplier ledger and general ledger shall be done on quarterly basis.
iii. Contingent liabilities shall be disclosed in the financial statements.

2106. A policy is therefore in place to guide the institution's payables.

Committee Observation

2107. The matter is resolved. Management has taken proactive measures to resolve this deficiency by implementing a policy aimed at guiding the institution's payables management.

21.0 RIFT VALLEY TECHNICAL TRAINING INSTITUTE

2108.Ms. Loice Kutoh, The Principal, accompanied by;

i. CPA. James Kosgei- Finance Officer
ii. Fred Obiero -Registrar

iii. Charles Koech- Procurement Officer

iv. Samuel Tarus- Deputy Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Rift Valley Technical Training Institute, on 2nd April 2025.

21.1 Audited statements for Financial Year 2021/22

21.1.1 Non-Separation of Land and Buildings

2109. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,744,742,870 which includes land and building balance of Kshs. 1,432,866,710 as disclosed in Note 31 to the financial statements. The land and buildings balance of Kshs.1,432,866,710 relates to net book value for buildings and land combined. However, the cost of land and buildings is not separated as required by paragraph 74 of IPSAS 17 property, plant and equipment which provides that land and buildings are separable assets and are accounted for separately, even when they are acquired together.

Management response

2110. Land and Buildings balances have been separated after the institute engaged the services of a registered valuer to value its assets, the report of which is attached.

Committee Observation

2111. The Committee observes that Management rectified the breach of IPSAS 17 by engaging a registered valuer. The separation of Land and Buildings balances is accepted as resolving this deficiency.

21.1.2 Valuation of Property, Plant and Equipment

2112. The statement of financial position reflects property, plant and equipment balance of Kshs. 1,744,742,870 which includes land and building, motor vehicles, furniture and fittings, computers and plant and equipment and library books as disclosed in Note 31 to the financial statements. However, the fair value of the fixed assets differs from it carrying amount/Net book value thus necessitating the need for valuation of fixed assets in accordance with paragraph 49 of IPSAS 17- property, plant and equipment which provides that the frequency of revaluations depends upon the changes in the fair values

of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from it carrying amount, a further revaluation is necessary.

Management Response

2113. The institute has carried out its assets valuation by encaging the services of a registered valuer and the report is attached. Currently, the fair values of the assets and the carrying amounts are in agreement and are fairly stated and the revaluation reserves properly recognized in the statement of changes in net assets for the year 2022-2023.

Committee Observation

2114. The Committee observes that Management resolved the issue by carrying out the necessary professional valuation; this corrective action confirms compliance with IPSAS 17.

21.1.3 Variance in Property, Plant & Equipment Schedule and Note 31 (b)

2115. Note 31 to the financial statements reflects total historical cost of property, plant and equipment of Kshs.1,870,435,721 which differs with historical balance of Kshs. 1,869,935,721 reflected in Note 31 (b).

2116. In the circumstances, the accuracy, completeness and carrying amount of property, plant and equipment of Kshs. 1,744,742,870 could not be confirmed.

Management Response

2117. The property, plant and equipment movement schedule under note 31 correctly states the historical cost of the assets at Kshs.1,870,435,721. However, during reporting, a transposition error which is regrettable was made on additional disclosure on note 31(b) where work-in-progress was reported as Kshs.68,359,471 instead of Kshs. 68,859,471thereby causing the variance. However, we wish to clarify that this was an additional disclosure which did not affect the accuracy of the financial statement.

Committee Observation

2118. The matter is addressed. Management corrected the clerical transposition error affecting the disclosure in Note 31(b). This clarification confirms the accuracy of the primary historical cost balance of the assets.

21.1.4 Inaccuracies in Receivables from Exchange Transactions

2119. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 227,198,342 which includes student debtors balance of Kshs. 227,042,842 as disclosed in Note 27(a) to the financial statements. However, student debtors aging analysis was not provided for review. Further, provision for bad and doubtful debts in relation to overdue outstanding student debtors was not provided for in the financial statements.

2120. In the circumstances, the accuracy and recoverability of receivables from exchange transactions balance of Kshs. 227,198,324 could not be confirmed.

Management Response

2121. The management availed the list of the student's debtors. However, the system in use capturing student ledgers is not able to carry out an ageing analysis thereby prompting a manual intervention. As analyzed, the students' debts were aged as below: -

3 Months	6 Months	9 months	Over 12 months
93,600,120	61,264,300	53,123,400	19,055,022

2122. The management is in the process of putting in place appropriate measures to ensure outstanding debts are received in full of which 96% of the reported student debtors have been fully settled and is currently working with the system provider to ensure that the system produces ageing of the Debtors. Furthermore, the institute has developed a finance policy and procedure manual approved by the board which has provided guidance on making provisions for bad debts. Going forward, the institution will be making provisions on the outstanding debts.

Committee Observation

2123. The matter is addressed. Management provided manual aging analysis for student debtors and addressed the control weakness by developing an approved finance policy to guide future provision for bad debts.

2124. (OAG) is directed to verify ongoing policy compliance in the subsequent audit cycle.

21.1.5 Budgetary Control and Performance

2125. The statement of comparison of budget and actual amounts reflects total actual revenue on comparable basis of Kshs.628,788,600 and total revenue budget of Kshs.555,663,862 resulting to underfunding of Kshs.73,124,738 or 11.6% of the budget. Similarly, the Institute expended Kshs.554,406,228 against final budget of Kshs.628,788,600 resulting in under-expenditure of Kshs.74,382,3725 or 11.8% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

2126. The underfunding was majorly due to capitation funding of about Kshs.99.5Million which was not received from the ministry. However, the institute surpassed its revenue target from local collections. Further, the under expenditure of Kshs.74,382,372 was mainly due to under collections in revenue majorly from capitation.

Committee Observation

2127. The Committee observes that budgetary underfunding is a pervasive, cross-cutting issue among learning institutions, stemming primarily from the non-receipt of budgeted capitation funds.

Committee Recommendation

2128. The Accounting Officer must develop and implement alternative income-generating activities to decrease dependence on Government capitation.

21.1.6 Unresolved Prior Year Matters

2129. There were issues raised in the audit report for 2020/21 financial year of which no report or recommendations from the Institute's Management and oversight bodies were submitted for review. The issues remain unresolved contrary to Section 149(2)(1) of the Public Finance Management Act, Cap. 412A which require Accounting Officers

designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management Response

2130. Prior year audit issues raised are currently being discussed by Parliamentary Public Investments Committee (PIC) and the institution will fully implement the recommendations once received. Meanwhile some of the recommendations made during the audit have been implemented by the management. Actions taken by management are as summarized under "implementation status of the Auditor-General Recommendations" section under appendices in the financial statements.

Committee Observation

2131. The Committee observes that these prior year audit issues have been duly addressed and formally resolved in the respective sections of this Report.

Committee Recommendation

2132. The Accounting Officer must henceforth strictly comply with Public Finance Management Act, Cap. 412A under Section 149(2)(1) regarding the timely resolution and reporting of all outstanding audit matters.

21.1.7 Under-Funding of the Institute

2133. The statement of financial performance reflects transfers from other National Government entities amount of Kshs.200,347,500 as disclosed in Note 6 to the financial statements. Review of the records provided revealed that the Institute had a population a total of of ten thousand (10,000) students during the year, which translates to expected fee subsidy of Kshs.300,000,000. However, the institution received Kshs.200,347,500 from the State Department for Vocational and Technical Training resulting in under funding of Kshs.99,652,500. In other circumstances, the institute may not be able to effectively achieve its objectives as a result of under-funding.

Management Response

2134. The management actively follows up with the parent ministry to ensure that capitation funds are fully received. However, this may not be in full control of the management and we hope that the ministry will strive to ensure that all the capitation funds are received for the smooth operation of the institution.

Committee Observation

2135. The Committee observes that this significant shortfall in anticipated capitation funds is a cross-cutting issue across many institutions.

Committee Recommendation

2136. The Accounting Officer must implement strategies for internal income generation to lessen dependence on capitation grants.

21.1.8 Approval of 2021/2022 Annual Budget

2137. The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs. 628,788,600 that was to be financed by Ministry grant of Kshs.300,000,000, tuition fee of Kshs.312,700,000, income generating units of Kshs. 14,648,600 and rental income of Kshs. 1,440,000. However, Management did not submit the approved budget to the relevant ministry (Ministry of Education) for approval as required by Section 13(3) of The Technical and Vocational Education and Training Act, Cap. 210A which state that the annual estimates shall be submitted to the Cabinet Secretary for approval before the commencement of the financial year to which they relate.

2138. In the circumstances, Management was in breach of the law.

Management Response

2139. An approved budget for the financial year 2021-2022 together with approving minutes of the board have been provided. The endorsed copy by ministry of education was however not received back by the institution. The management wishes to state that the institution's budget has to be approved by the ministry as required by the Technical and Vocational Education and Training Act, Cap. 210A to qualify for capitation funding which the

institution received. Currently, the institution has ensured that all endorsed copies are received by the institution.

Committee Observation

2140. The Committee observes that Management resolved the breach of the TVET Act by providing the board-approved budget and supporting minutes. The subsequent confirmation that all Ministry-endorsed copies are now received by the institution is duly noted.

21.1.9 Employee Costs - Lack of Approved Staff Establishment

2141. The statement of financial performance reflects employee costs amount of Kshs.76,839,017 which relates to salaries and wages of the staff as disclosed in Note16 to the financial statements. However, the Institute does not have an approved personnel establishment that indicates the number of employees and their ranks. In the absence of an approved staff establishment RVTTI may not be able to determine the optimum size of staff to discharge services to the organization contrary to Section B.2 (1) of Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic Plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs. (2) On the basis of these Human Resource plans, Ministries/State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it plan to fill the vacancies

2142. In the circumstances, Management was in breach of the law.

Management Response

2143. The comprehensive staff establishment has been provided.

Committee Observation

2144. The Committee observes that Management has rectified the institutional gap by providing the comprehensive staff establishment document, thus resolving the breach of the Human Resource manual.

21.1.10 Failure to Observe One Third Rule on Staff Composition

2145. Review of personnel records provided for audit revealed that the Institute had a total of two hundred and twenty-three (223) employees where two hundred and one (201) or 90%. were from the dominant community contrary to Section 7(1) and (2) of National Cohesion Integration Act, Cap. 7N which states that all public establishments shall seek to efficient the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

Management Response

2146. The current staff composition is historical. However, management has put in place appropriate measures to ensure that any new employment or appointments represent the diversity of the Kenyan people.

Committee Observation

2147. The Committee observes that the 90% ethnic concentration is a severe and pervasive breach of the National Cohesion and Integration Act, Cap. 7N and constitutional values.

Committee Recommendation

2148. The Accounting Officer must implement deliberate affirmative action strategies in all future recruitments to ensure compliance with the one-third rule.

21.1.11Rotation of Board Members

2149. The statement of financial performance reflects Board/Council expenses Kshs.3,831,950 which relates to expenses incurred by Board of Management as disclosed in Note 17 to the financial statements. Review of the expenditure records for financial years 2020/2021 and 2021/2022, Committee minutes and register of attendance relating to Council expenses revealed that there was no rotation of Board Committee Members and some Board Members had been in the same Committee for two (2) consecutive years contrary to the circular on management of state corporations dated 11 March, 2020 Part B.6., the

committee members shall serve for a continuous period for a maximum of 12 months and thereafter be subject to rotation except for The National Treasury and parent ministries representatives.

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

Management Response

2150. The management will adhere to the circular OP/CAB.9/IA on management of state corporations. The terms of three board members came to an end and have been replaced. This necessitated reconstitution of the committees.

Committee Observation

2151. The Committee observes that Management acknowledged the breach of the circular and effected the necessary reconstitution of the Board Committees due to member replacement.

21.1.12Bank Accounts Register

2152. The statement of financial position reflects cash and cash equivalents balance of Kshs.121,641,687 held in ten (10) bank accounts as detailed in Note 26 (a) to the financial statements. Review of the institution's financial statements, payment records, correspondence files and other records revealed that the institution operates ten (10) bank accounts. However, a register of the bank accounts authorized by The National Treasury, indicating the name of bank, branch, account number, purpose of account, authorization details, opening date, authorized signatories, date of closure among others is not kept and maintained by the institution as required by Regulation 87(3) and (4) of Public Finance Management (National government) Regulations, 2015.

2153. In the circumstances, the Management was in breach of the law.

Management Response

2154. Management has put in place a register of bank accounts maintained by the institution as per attached Appendix A treasury authorization had been sought through the line ministry.

Committee Observation

2155. The Committee observes that Management resolved the legal breach by establishing the required bank accounts register and seeking Treasury authorization.

21.1.13 Long Outstanding Payables

2156. The statement of financial position reflects trade and other payables balance of Kshs.20,264,464 as disclosed in Note 34 to the financial statements. Review of the trade and other payables ageing analysis revealed pending payments for goods, services and works amounting to Kshs. 10,385,233 which have been outstanding for over ninety (90) days. No explanation has however been provided by Management for the delayed payment to the supplier's contrary to The National Treasury directive on settlement of payables and Section 68(2)(d) of the Public Finance Management Act, Cap. 412A.

2157. In the circumstances, the Management was in breach of the law.

Management Response

2158. The management has ensured that pending bills are prioritized and treated as first charge in the following financial year. The bills have since been settled as evidenced by original payment vouchers provided and sample.

Committee Observation

2159. The Committee observes that Management resolved the legal breach by prioritizing and settling the reported long outstanding pending bills.

21.1.14 Weak ICT Internal Control Environment

2160. Institute did not have IT Strategic Committee and Steering Committee responsible for as reported previously, review of the ICT Internal control environment revealed that the providing guidance on IT-related decision-making processes. The Management did not business continuity plan. Further, the Institute does not have a documented training have a back-up data stored in an off-site location, off-site secondary servers and IT program to build IT capacity, a documented change request procedure to guide on system upgrades and provide basis for system changes backed up by approval from relevant troubleshooting in line with procedures 3(3.1) and 4(2.6) of the Institution's documented authorities. In addition, the Institute did not carry out termly system maintenance and MIS procedures manual.

2161. In the circumstance, there is a risk of data loss in the event of a disaster or equipment failure.

Management Response

2162. Management has established ICT strategic and steering committee and put in place offsite data back-up (cloud), provided training for IT staff capacity building and documented change request procedures.

Committee Observation

2163. The Committee observes that Management has fully resolved the noted ICT control weaknesses by establishing the required governance committees and putting the necessary off-site backup mechanisms in place.

21.1.15 Lack of Tagging of Fixed Assets

2164. The statement of financial position reflects property, plant and equipment amount of Kshs.1,744,742,870 which includes land and buildings, furniture and fittings, computer and plant and equipment all totaling to Kshs. 1,744,742,870 as disclosed in Note 31 to the financial statements. However, as reported previously, Management has not tagged or branded its assets.

2165. In the circumstances, the institution is likely to lose its assets due to weak controls in asset monitoring and controls.

Management Response

2166. The institute engaged the services of a registered valuer for the tagging and branding of its fixed assets as evidenced by the attached extract of asset register indicating the asset value and tag number. This can be further verified.

Committee Observation

2167. The Committee observes that Management rectified the asset control weakness by engaging a registered valuer to complete the necessary tagging and branding of fixed assets.

21.1.16 Lack of Creditors' Management Policy

2168. As reported previously, the Institute did not have in place a Creditors' Management Policy which may lead to non-identification of credit risks and appropriate measures to manage them contrary to Regulation 165 (1) of the Public Finance Management (National

Government) Regulations, 2015 which requires National Government entity to develop Creditors' Policy.

2169. In the circumstances, the Management was in breach of the law and lack of Creditors' Policy may lead to non-identification of credit risks and appropriate measures to manage them

Management Response

2170. RVTTI Financial Policies and Procedure manual indicates under sections 5.5.1 to 5.5.4 the creditors policy.

Committee Observation

2171. The Committee observes that Management resolved the legal breach by establishing the required creditors policy within the institution's Financial Policies and Procedures manual.

22.0 RIFT VALLEY TECHNICAL TRAINING INSTITUTE

2172. Ms. Loice Kutoh, The Principal, accompanied by;

i. CPA. James Kosgei- Finance Officer
ii. Fred Obiero -Registrar
iii. CPA. Samuel Tarus- Deputy Finance Officer
iv. Hildah Kitoy- Ag Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Rift Valley Technical Training Institute, on 2nd April 2025

22.1 Audited statements for Financial Year 2022/2023(Qualified Opinion)

22.1.1 Unsupported and Unrecorded Biological Assets

2173. The statement of financial position reflects biological assets valued at Kshs. 1,819,400 with an opening balance of Kshs. 1,200,000. However, no reconciliation movement showing the opening balance, additions and disposals as additional notes has been included in the financial statements nor has the movement been supported. Further, the biological assets as disclosed in Note 34 to the financial statements excluded trees of unknown value.

2174.In the circumstances, the accuracy and completeness of the biological assets balance of Kshs. 1,819,400 could not be confirmed.

Management Clarification/Response

2175.The management has taken note of this omission on our financial reporting and will make necessary corrections and journal entries in our subsequent financial reports.

2176.Management undertakes to carry out valuation of trees in subsequent financial reporting of the entity

Committee Observation

2177.The Committee observes that Management is committed to correcting the omission by preparing necessary journal entries and undertaking the required valuation of the unrecorded trees.

22.1.2 Unsupported Issuance of Repair and Maintenance Materials

2178.Included in the repair and maintenance balance of Kshs.51,241,411 and as reflected in Note 18 to the financial statements is an expenditure of Kshs.5,652,012 incurred in respect of purchase of materials. However, documents in support of this expenditure were not provided for audit review.

2179.In the circumstances, the accuracy and validity of the repairs and maintenance amount of Kshs.51,241,411 could not be confirmed.

Management Clarification/Response

2180.Management has provided the Bills of quantities for materials used and certificate of payments and completion has been availed for audit. The materials were used during construction within the institution and a detailed analysis has been provided for verification.

Committee Observation

2181.The Committee observes that Management provided the necessary Bills of Quantities and certificates.

22.1.3 Unapproved Over Expenditure

2182. The statement of comparison of budget and actual amounts reflects budgeted repairs and maintenance expenses of Kshs.19,000,000. However, the actual expenditure as disclosed in Note 18 of the financial statements was Kshs.38,383,251 resulting to unapproved over expenditure of Kshs. 19,383,251. No approval for the over expenditure was provided for audit review.

2183. In the circumstances, the validity of the over expenditure of Kshs.19,383,251 could not be confirmed.

Management Clarification/Response

2184. Management wishes to clarify that a supplementary budget of Kshs. 19,385,251 to cater for the increasing repairs costs was approved as per the attached Minutes. No unauthorized expenditure outside the approved budget was incurred.

Committee Observation

2185. The Committee observes that Management resolved the issue by providing minutes confirming the approved supplementary budget of Kshs. 19,385,251

22.1.4 Budgetary Control and Performance

2186. The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.633,202,000 and actual on a comparable basis of Kshs.383,781,372 resulting to an under-funding of Kshs.249,420,628 or 39% of the budget. Similarly, the College incurred an expenditure of Kshs.342,171,812 against an approved budget of Kshs.629,250,000 resulting to an under-expenditure of Kshs.287,078,188 or 46% of the budget.

2187. Further, the recurrent capitation was budgeted at Kshs.300,000,000. However, the actual amount released by the Ministry was Kshs.108,011,000 which translated to only 36% of the budget. It was also noted that the budget was submitted to the parent ministry on 04 February, 2022 which was beyond the deadline of 31 January, 2022.

2188. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Clarification/Response

2189. The management is well aware of the budget making process as guided by the circulars issued by the national treasury and the Public Finance Management Act, Cap. 412A. On funds disbursement, the management has continually followed up with the parent ministry on the pending and late disbursements.

2190. Management acknowledges the audit finding on delay by four days in submission of the budget and has since been complying with the deadline on budget submission.

Committee Observation

2191. The Committee observes that this severe underfunding (39%) is a cross-cutting issue across institutions, stemming primarily from the non-receipt of recurrent capitation funds.

Committee Recommendation

2192. The Accounting Officer is directed to consistently conduct quarterly budget reviews and utilize supplementary budgets to ensure realistic absorption.

22.1.5 Unresolved Prior Year Audit Matters

2193. In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal controls, Risk Management and Governance. However, the issues remained unresolved contrary to Section 68(2)(1) of the Public Finance Management Act, Cap. 412A which require accounting officers designated for national government entities to try to resolve any issues resulting from an audit that remain outstanding.

Management Clarification/Response

2194. Auditor recommendations on a number of the issues raised in the previous year have been implemented as indicated to the financial statements. This has also been followed closely by the Board audit committee. The institution has appeared before the parliamentary public investment committee and responded to the issues raised in the audit report. The management awaits any recommendations that would be made by the committee on the matters and will duly implement them.

Committee Observation

2195. The Committee observes that these prior year audit issues have been duly addressed and formally resolved in the respective sections of this Report.

22.1.6 Non-Adherence to Regional Balance Requirement

2196. Review of personnel records provided for audit revealed that the Institute had a total of two hundred and ninety (290) employees whereby two hundred and seven (207) or 71%, were from the dominant ethnic community contrary to Section 7(1) and (2) of National Cohesion and Integration Act, Cap. 7N , which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

2197. In the circumstances, Management was in breach of the law.

Management Clarification/Response

2198. The National Cohesion and Integration Act, Cap. 7N is an offshoot of the Constitution of Kenya 2010, a fairly recent legislation and the institution has been in existence for quite some time. The institution however desires to progressively address the skewedness in subsequent recruitment so as to achieve the representation of the face of Kenya.

Committee Observation

2199. The Committee observes that the 71% concentration of staff from the dominant ethnic community is a severe and pervasive breach of the National Cohesion and Integration Act, Cap. 7N.

Committee Recommendation

2200. An amendment to the TVET Act and Universities Act to sort out the issue of ethnic diversity by creating a provision in law that enables transfers of staff from one region to the other. Management must comply within two years.

22.1.7 Failure to Register Trainers with Technical and Vocational Education Training Authority

2201. A review of personnel records provided for audit revealed that the Institute had a total of two hundred (200) trainers. Out of this number, sixty-eight (68) were not registered with Technical and Vocational Education Training Authority contrary to Section 23 of Technical and Vocational Education and Training Act, Cap. 210 A which states that any person who is not registered at the commencement of this Act shall comply with this Act within six months from the date of such commencement.

2202. In the circumstances, Management was in breach of the law.

Management Clarification/Response

2203. Management acknowledges this audit observation. However, it should be noted that TVETA Act came into effect when a number of trainers were already in employment and that the management submits that as a measure to ensure compliance, the trainers have been continuing to do the pedagogy training for subsequent certification and registration.

Committee Observation

2204. The Committee observes the management acknowledges that sixty-eight (68) unlicensed trainers is a significant finding observation that came into effect while many trainers were already employed.

Committee Recommendation

2205. The Accounting Officer must ensure that all sixty-eight (68) non-compliant trainers complete the required pedagogy training and obtain registration and licensing from the Technical and Vocational Education Training Authority (TVETA) within six months.

22.1.8 Annual Procurement Plan

2206. An examination of the annual procurement plan of Kshs.370,795,280 revealed that it was not prepared in the format provided by the Public Procurement and Asset Disposal Regulations 2020. Further, the following information was missing:

i. A detailed breakdown of the goods, works, or services required.

ii. An indication and justification whether it shall be procured within a single-year period or under a multi-year arrangement.

iii. An indication of which items may be aggregated for procurement as a single package or for procurement through any applicable arrangements for common-user items. This was contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, Cap. 412C which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

2207. In the circumstances, Management was in breach of the law.

Management Clarification/Response

2208. The management takes note of the deficiencies in our procurement plan and will ensure that our subsequent plans are prepared in accordance with the Public Procurement and Asset Disposal Act, Cap. 412C.

Committee Observation

2209. The committee agreed that this had been resolved.

22.1.9 Failure to Observe One Third Rule of Employee Basic Pay

2210. Review of payroll records during the year revealed that the Institute paid gross salaries of Kshs.65,598,067. This was part of the total employee costs of Kshs.85,212,984 as disclosed in Note 15 of the financial statements. However, it was established that ten (10) employees earned net pay of Kshs.66,771 which was below a third of their basic pay of Kshs.75,917 contrary to third schedule of Employment Act Cap. 226 which states that the employer shall pay not less than one third of each such wages either into a local bank account nominated by the employee or to a person in Kenya nominated by the employee. In the circumstances, Management was in breach of the law.

Management Clarification/Response

2211. Management acknowledges a third rule on basic salary and states that this was brought about by several statutory deductions such as SHA, SHIF and NSSF that came into being when most employees have committed their earnings to long term loans that take a while to recover. The staff have been advised to reorganise payslip so as to comply with the

one third rule. The management wishes to confirm that this has been currently complied with.

Committee Observation

2212. The management has since advised the affected staff to reorganize their pay slips and confirmed that compliance with the one-third rule has been achieved.

22.1.10 Employee Costs Paid Outside the Payroll

2213. The statement of financial performance reflects an amount of Kshs.85,212,984 as employee costs. This comprised of Kshs.65,598,067 (77%) being analyzed gross salaries and Kshs.19,614,917 (23%) as other employee related costs which included payments to contracted staff, loan repayments and other emoluments paid outside the main payroll.

2214. Payment of employee related costs outside main payroll could affect efficient monitoring of payroll costs.

Management Clarification/Response

2215. Most of the employees paid outside payroll are casuals paid wages in short periods depending on the jobs available. Because of the temporary nature of their engagements, they can only be paid as casuals on manual payrolls.

Committee Observation

2216. The Committee observes that paying (23%) of employee costs outside the main payroll system, even when justified by management as being for casuals paid wages in short periods, severely compromises controls and risks inefficient monitoring of payroll costs.

Committee Recommendation

2217. The Accounting Officer must develop a strategy to integrate all employee costs, including those paid to casuals and contracted staff, into the main, controlled payroll system to ensure compliance and proper monitoring.

22.1.11 Implementation and Integration of the Management Information System

2218. The Institute has The Accounting Officer must develop a strategy to integrate all employee costs, including those paid to casuals and contracted staff, into the main, controlled payroll system to ensure compliance and proper monitoring.

2219. an information system which is web based. While most modules were integrated and working such as the students' invoicing, students' receipts, students' payments, examinations, revenue, catering and procurement, other modules including the payments and invoices, human resources and payroll, library, garage and dispensary were yet to be integrated and implemented.

2220. Failure to implement and integrate all the modules compromises data integrity and efficiency of operations within the Institute.

Management Clarification/Response

2221. Management reiterates its commitment to fully implement the Integrated Management information systems once and when funds become available as a key priority in its operations. With the decreased level of funding, the institution continues to face challenges in the full implementation of the modules. However, this remains a work-In-progress and our focus is on the implementation of all the modules with any little funds available for our efficient operations.

Committee Recommendation

2222. The Committee observes that crucial administrative modules of the Management Information System remain unintegrated due to funding constraints, risking data integrity and operational efficiency.

Committee Recommendation

2223. The auditor was directed to monitor progress and report back in the next audit cycle.

22.1.12 Insurance of the Institute's Assets

2224. The statement of financial position reflects total net book value of the Institute's non-current assets of Kshs.2,498,656,393. However, out of this, only the automotive engineering workshop valued at Kshs.8,305,000 (insured for Kshs.4,000,000) and motor vehicles valued at Kshs.22,072,500 were insured. All the other assets comprising of

computers, furniture, biological assets and equipment excluding land valued at Kshs.928,278.893 were not insured contrary to Regulation 139(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets including putting preventative mechanisms in place to eliminate theft, security threats, losses, wastage and misuse.

2225. In the circumstances, the safety of Institute's assets was at risk and compensation in case of loss could not be guaranteed.

Management Clarification/Response

2226. The management takes this observation with great concern for which we were unable to cover all categories of assets due to resource constraints. As an institution, we shall endeavour to look for funds to enable us insure all our properties as may be necessary.

Committee Observation

2227. While Management attributes the lack of insurance coverage to resource constraints, the resulting risk of permanent loss without compensation is unacceptable.

Committee Recommendation

2228. The committee directed that ALL assets of the Institute be insured within a period of 3 months.

22.2 Audited statements for Financial Year 2023/2024 (Qualified Opinion)

22.2.1 Long Outstanding Receivables from Exchange Transactions

2229. The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.211,415,093 which includes student debtors balance of Kshs.211,083,961 and rent debtors of Kshs.331,132 as disclosed in Note 27(a) to the financial statements. Ageing analysis of the receivables revealed that Kshs. 102,105,107 was owed for less than 1 year, Kshs.83,783,710 was owed for the period between 1-2 years and Kshs.25,526,276 related to receivables owed for the period between 2-3 years. However, Management had not put in place measures on how the receivables which had accrued for a period of more than 1 year will be collected.

2230. Further, no impairment allowance provision had been made by the Management on the outstanding debts.

2231. In the circumstances, the validity, recoverability and completeness of the receivables from exchange transactions balance of Kshs.211,415,093 could not be confirmed.

Management Comments

2232. The debts related to outstanding fees owed by students who were majorly still in session and the term had not ended as at the reporting date. Currently, most of the older fees which were owing as at the close of the financial year have been paid with few outstanding cases. Further, the institution as a practice holds the students' certificates upon completion of their courses until all fee balances are cleared. This has enabled debt collection of fees arrears and reduced the number of outstanding arrears.

Committee Observation

2233. The management is in breach of accounting principles for failing to implement collection measures for long-outstanding receivables and neglecting to make impairment provisions for doubtful debts.

Committee Recommendation

2234. In compliance with the accounting standards, the Accounting Officer must develop and implement a formal debt management and collection policy, ensuring impairment provisions are made for doubtful debts

22.2.2 Inaccuracy of Intangible Assets

2235. The statement of financial position reflects intangible assets balance of Kshs. 10,600,000 as disclosed in Note 32 to the financial statements. However, no impairment allowance was provided and the values remained as was previously reported.

2236. In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.10,600,000 could not be confirmed.

Management Comments

2237. The management has revalued the biological assets and the necessary journal entries been made in the subsequent reporting's.

Committee Observation

2238. The management erroneously addressed the audit query on Intangible Assets by providing a response related to Biological Assets.

22.2.3 Unsupported Biological Assets

2239. The statement of financial position reflects a biological assets balance of Kshs. 1,819,400 as disclosed in Note 34 to the financial statements. However, valuation of biological assets was not done as at 30 June, 2024 and the values remained as were previously reported with no movement. Further, the biological assets as disclosed in Note 34 to the financial statements excluded trees of unknown value.

2240. In the circumstances, the accuracy and completeness of the biological assets balance of Kshs.1,819,400 could not be confirmed.

Management Comments

2241. The management has taken note of this omission in our financial reporting. We will make necessary corrections and Journal Entries in our subsequent financial reports.

Committee Observation

2242. The management has committed to making necessary corrections and Journal Entries in subsequent reports.

Committee Recommendation

2243. The Accounting Officer must complete the valuation of the biological assets, including the previously excluded trees, and ensure the necessary corrections and reconciliation movements are incorporated in the subsequent financial reports.

22.2.4 Budgetary Control and Performance

2244. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.625,901,115 and Kshs.482,961,384 respectively resulting into an under-realization of Kshs. 142,939,731 or 23 % of the budget. Similarly,

the Institution incurred total recurrent expenditure of Kshs.441,413,252 against an actual receipt of Kshs.482,961,384 resulting into an under-expenditure of Kshs.41,548,132 or 9% of the actual receipts.

2245. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Comments

2246. The under expenditure was mainly due to less capitation funding received thereby prompting a reduction of the planned and budgeted activities. The management has been in engagement with the ministry on the underfunding and at the same time tries to mitigate the effects of low funding through engagement in other income generating activities for budgetary support. We are hopeful that with this intervention, the institution will bridge the gap in revenue and implement its activities as planned for better service delivery.

Committee Observation

2247. The lack of adequate funding resulted in the reduction of planned and budgeted activities, negatively impacting service delivery.

Committee Recommendation

2248. The Accounting Officer must expedite the development and implementation of alternative income generating activities to mitigate the effects of low funding and reduce over-reliance on government grants.

22.2.5 Unresolved Prior Year Matters

2249. In the audit report of the previous year, several issues were raised under report on Financial Statements, Report on Lawfulness and Effectiveness in the use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, they remain unresolved.

Management Comments

2250. Auditor recommendations on a number of the issues raised in the previous year have been implemented. This has also been followed closely by the Board audit committee. The institution has appeared before the parliamentary public investment committee and responded to the issues raised in the audit report. The management awaits any recommendations and interventions that would be made by the committee on the matters and will duly implement them.

Committee Observation

2251. The Committee observes that these prior year audit issues have been duly addressed and formally resolved in the respective sections of this Report.

22.2.6 Financial Statements Presentation and Disclosures

2252. Review of the financial statements revealed that the statement of comparison of budget and actual amounts did not include reconciliation between actual budget amounts and the statement of financial performance amounts as required by IPSAS 24.29. Further, the Inter entity confirmation letter under Appendix III to the financial statements was not signed by Head of Accounts Department at the State Department of Technical and Vocational Education Training (disbursing entity).

2253. In the circumstances, the financial statements were not presented in accordance with the prescribed standards.

Management Response

2254. The management will endeavor to reconcile the statements of financial performance and statement of comparison of budget and actual amounts in our subsequent financial statements so as to present financial statements which complies with the standards.

2255. Due to urgency in submitting the revised financial statements, the management could not provide this confirmation in time since this required submission of the annex to the ministry headquarters for confirmation and this would take some time. However, we wish to confirm that the amount received as reported is correct as per the institution's records. However, the confirmation is now available.

Committee Observation

2256. The Committee observes that Management acknowledged the omission and confirmed the necessary inter-entity confirmation letter is now available, while committing to fully reconciling the required statements to comply with IPSAS 24.29 in subsequent reports.

Committee Recommendation

2257. The Accounting Officer must ensure strict compliance with IPSAS 24.29 for reconciliation statements and provide all required signed inter-entity confirmations promptly.

22.2.7 Long Outstanding Payables

2258. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.33,403,050 which according to the ageing analysis in Note 35 to the financial statements, Kshs.26,697,909 was owed for less than 1 year and Kshs.6,705,141 between 1-2 years. However, no explanation was provided by Management for the delayed payment to the suppliers' contrary to The National Treasury Circular No.7/2023 dated 21 June 2023 which states that processing of payments to contractors and suppliers should be in time upon submission of completion of certificates and supply of goods and services.

2259. In the circumstances, Management was in breach of the law.

Management Response

2260. The management prioritizes payment of outstanding payables in line with the institution's creditors policy. However, due to challenges in funding and the competing need for services, the institution sometimes delays meeting the debt obligations. The management takes seriously the requirement of settling payments to suppliers immediately the services are rendered and would do all that is possible to ensure that the debts are kept on check and are settled in time as funds become available. Currently old debts have been cleared.

Committee Observation

2261. The management acknowledges the challenge due to funding constraints but confirms old debts have been cleared.

Committee Recommendation

2262. The Accounting Officer must henceforth ensure strict compliance with timely payment regulations, and the Office of the Auditor General (OAG) is directed to verify that all outstanding old debts have been settled in the subsequent audit cycle.

22.2.8 Non-Adherence to Regional Balance Requirement

2263. The statement of financial performance reflects Kshs.78,396,191 relating to employee costs as disclosed in Note 16 to the financial statements. Review of personnel records revealed that the Institute had ninety-six (96) employees out of which seventy-eight (78) or approximately 81% were from the local dominant community contrary to Section 7(1) and (2) of National Cohesion and Integration Act, cap. 7N which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

2264. In the circumstances, Management was in breach of the law.

Management Response

2265. Management is progressively working to adhere to the stipulated National Cohesion and Integration Act, Cap. 7N rule in new recruitments and replacement of staff.

Committee Observation

2266. The Committee observes that the 81% concentration of staff from the local dominant ethnic community is a severe breach of Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N.

Committee Recommendation

2267. The Accounting Officer must implement deliberate affirmative action strategies in all subsequent recruitments to ensure compliance with the one-third rule.

22.2.9 Staff Earning Less Than One-Third (1/3) of Basic Pay

2268. The statement of financial performance reflects employees cost amount of Kshs.78,396,191 as disclosed in Note 16 to the financial statements. Review of the payroll data revealed that staff ranging between four (4) and thirty-one (31) per month

earned net salaries that were less than one-third of their basic pay. This was contrary to Section (19)(3) of the Employment Act, Cap. 226 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two- thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

2269. In the circumstances, Management was in breach of the law.

Management Comments

2270. This has since been rectified and measures put in place to ensure compliance. Sensitization of staff on compliance to 1/3 rule has been carried out.

Committee Observation

2271. The matter is resolved. The management has acknowledged the findings and rectified the issue

22.2.10 Lack of a Bank Accounts Register

2272. The statement of financial position reflects cash and cash equivalents balance of Kshs.106,705,626 held in 10 bank accounts as disclosed in Note 26 to the financial statements. Examination of the Institution's records revealed that a register of the bank accounts authorized by The National Treasury, indicating the name of bank, branch, account number, purpose of account, authorization details, opening date, authorized signatories, date of closure among other details, was not kept and maintained by the Institution. This was contrary to Regulation 87(3) and (4) of the Public Finance Management (National Government) Regulations, 2015 which requires National Government entities to keep a register of the bank accounts authorized by The National

2273. Treasury, indicating the name of bank, branch, account number, purpose of account authorization details, opening date, authorized signatories, date of closure among others. In the circumstances, Management was in breach of the law.

Management Comments

2274. Management wrote to the treasury through the parent ministry giving details of all bank accounts maintained and requesting for treasury approval of the accounts. So far, no response has been received. However, the management is making a follow up and we assure that this necessary approval will be obtained.

Committee Observation

2275. The Institute breached Section 19(3) of the Employment Act by allowing staff net pay to fall below one-third of basic pay.

Committee Recommendation

2276. The Accounting Officer must immediately create an authorized Bank Accounts Register and the Auditor General must verify compliance.

22.2.11 Shortfall in Capitation

2277. The statement of financial performance and Note 8 to the financial statements reflect transfers from National Government entities amount of Kshs.99,208,000 which is capitation receipts from the Government for students enrolled in the Institution. Budgeted capitation receipts during the year however, amounted to Kshs.255,000,000 thereby resulting in a capitation shortfall of Kshs.155,792,000.

2278. The income budget deficit of Kshs. 155,792,000 represents equivalent services budgeted for but not delivered and was contrary to Ministry of Education-State Department for Vocational and Technical Training circular ref. MOEST/VTT/2/12/Vol. II/(6) dated 21 June, 2018 which directed that fees chargeable in all public TIVET Institutions shall not exceed Kshs.56,420 and that Kshs.30,000 shall be disbursed directly to institutions as capitation and Kshs.26,420 portion shall be paid directly by parents to institutions or Higher Education Loans Board if a student is eligible for loan.

2279. In the circumstances, the under-capitation may have affected the planned activities and impacted negatively on service delivery to the students.

Management Comments

2280. Management has been in constant follow up with the parent ministry on funding of capitation. However, this has not been 100% achieved and the ministry attributes this to limited resource envelope. The management remains hopeful that funding to the ministry would increase and the ministry will release all the remaining capitation funds balances due to the institution for better service delivery. Further, with the new funding model, the issue of under-funding will not be there as students will be invoiced the entire fees.

Committee Observation

2281. The Committee observes that the severe capitation shortfall of Kshs. 155,792,000, violating the Ministry's fee circular, is a cross-cutting issue resulting from limited funding, which management hopes the new student funding model will resolve.

Committee Recommendation

2282. The Accounting Officer must prioritize alternative income-generating activities and quarterly budget reviews, and the Auditor General is directed to verify progress in the next audit cycle.

22.2.12 Un-approved Board Almanac

2283. The statement of financial performance reflects board expenses totaling to Kshs.5,011,040 as disclosed in Note 17 to the financial statements. However, review of the Board Almanac guiding the operational activities of the Board revealed the following anomalies;

2284. The Board Almanac provided was not signed and authenticated by either the secretary or the chairperson.

2285. The Almanac did not contain statutory obligation of the Board and the annual budget as required by Circular No.OP/CAB.9/1A dated 11 March, 2020 on board meetings from the Head of Public Service.

2286. The Annual Almanac was not been forwarded to State Corporations Advisory Committee (SCAC) through the parent ministry contrary to Circular No. OP/CAB.9/1A from Head of Public Service dated 11 March, 2020 which requires that all boards of directors to submit their annual Almanac to SCAC through the parent ministry by 30 June of every

year. Even though the Management explained that this was forwarded to the parent ministry, no approval was however provided.

2287. In the circumstances, the regularity of the board operations undertaken during the year under review could not be confirmed.

Management Response

2288. Management wishes to state that the Almanac was submitted to the parent ministry for approval. However, no contrary comments were received and there were no objections and therefore the management implemented the Almanac as was submitted.

Committee Observation

2289. Management breached the Head of Public Service Circular by operating with an unauthorized and incomplete Board Almanac, which lacked proper signatures, statutory obligations, and confirmation of submission to SCAC.

Committee Recommendation

2290. The Accounting Officer must strictly comply with the Head of Public Service Circular No. OP/CAB.9/1A regarding the signing, content, and submission of the Annual Board Almanac to SCAC.

22.2.13 The Committee directed the Accounting Officer to follow up with the ministry and report in a month

2291. Employee Costs Paid Outside the Payroll

2292. The statement of financial performance reflects employee costs of Kshs.78,396,191 as disclosed in Note 16 to the financial statements. This comprised of Kshs.68,306,100 being gross salaries and Kshs.10,090,091 being casuals' payments that were made outside the main payroll.

2293. In the circumstances, the payment of employee-related costs outside main payroll affects efficient monitoring of payroll costs.

Management Response

2294. Most of the employees paid outside payroll are casuals paid wages in short periods depending on the jobs available that they are engaged in. Because of the temporary nature of their engagements, they can only be paid as casuals on manual payrolls.

Committee Observation

2295. The Committee observes that managing temporary staff payments through manual processes, while attempting flexibility, presents challenges in tracking and ensuring complete transparency and efficiency across all employee-related expenditure.

Committee Recommendation

2296. The Committee observes that managing temporary staff payments through manual processes, while attempting flexibility, presents challenges in tracking and ensuring complete transparency and efficiency across all employee-related expenditure.

22.2.14 Weak Controls Over Rental Income

2297. The statement of financial performance reflects rental revenue from facilities and equipment of Kshs.1,108,498 as disclosed in Note 12 to the financial statements. However, physical verification of some of the rental houses owned by the Institution revealed that they were in a dilapidated condition which made them earn low rental income despite a potential for higher rental revenues.

2298. Further, the Institution had rent income receivable arrears of Kshs.331,132 as disclosed in Note 27(a) to the financial statements. However, no explanation was provided as to why the Institution failed to collect the outstanding rent.

2299. In the circumstances, the existence of adequate controls over rental income could not be confirmed. Further, the Institution is likely to suffer revenue losses through low rental income below the potential rent and uncollected rent arrears.

Management Response

2300. Management carries out repairs and maintenance on the institution's infrastructure and equipment. However, due to limited budgetary constraints, the management has not been able to carry out all the necessary repairs some of which may require a lot of funding. The management wishes to clarify that the repairs will be gradually carried out through

institution's savings as no development funds have been received. We would wish to state that through internal savings, we have been able to complete our tuition block which has been work in progress for a long time due to freeze in development funding. Further, the management is pursuing the outstanding rent income debtors.

Committee Observation

2301. The Committee observes that poorly maintained rental properties and challenges in collecting outstanding rent are collectively hindering the Institution's potential to maximize available internal revenue.

Committee Recommendation

2302. The Committee recommends that the Institution develops and implements a comprehensive property management and rent recovery strategy, including regular maintenance of rental properties, strengthened rent collection mechanisms, and enforcement measures for outstanding arrears, to enhance internal revenue generation.

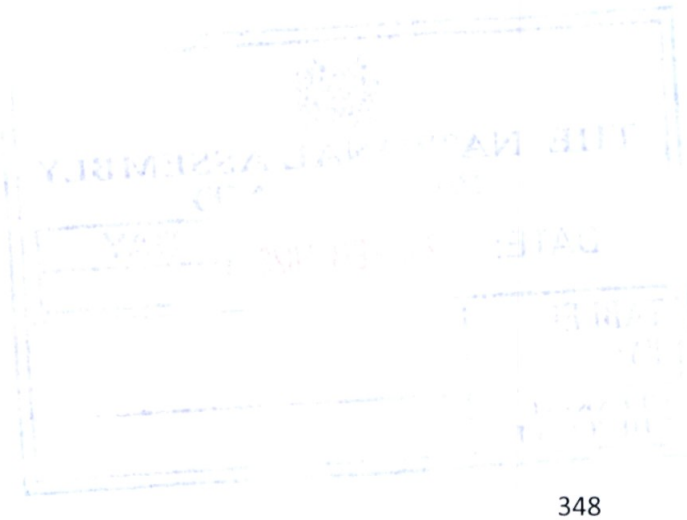
SIGNED..... **DATE**.....25TH FEB 2026.....

HON. WANAMI WAMBOKA, M.P.

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND EDUCATION

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 26 FEB 2026	DAY. THUR
TABLED BY:	HON. WANAMI WAMBOKA, MP CHAIRPERSON
CLERK-AT-THE-TABLE:	VIVIAN WAMBUI



THE NATIONAL ASSEMBLY

13TH PARLIAMENT – FIFTH SESSION (2026)

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

DATE

AGENDA: THE SEVENTH REPORT OF THE PUBLIC INVESTMENT COMMITTEE ON

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

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

PRESENT

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

APOLOGIES.

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

IN ATTENDANCE
COMMITTEE SECRETARIAT

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

OFFICE OF THE AUDITOR GENERAL

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

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

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

AGENDA:

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

4. Any Other Business; and
5. Adjournment.

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

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

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

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

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/20 2020/21 for the following agencies from Western Region.

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

The Committee made the following recommendations on the report;

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

1. Understaffing in the TVET institutions

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

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

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

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

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

3. Late submission of supporting documentation

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

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

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

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

4. Unsecured/ untitled land holdings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Late Submission of supporting documentation**

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

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

4. **Unsecured/untitled land holdings**

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

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

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

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

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

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

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

The Committee made the following recommendations on the Report.

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

1. **Understaffing in the TVET institutions**

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

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

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

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

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

3. **Late submission of supporting documentation**

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

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

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

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

4. **Unsecured/ untitled land holdings**

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

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

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

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

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

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

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

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

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

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

a) Going Concern and Financial Deficits

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

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

b) Receivables Management

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

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

c) Late Submission of supporting documentation

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

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

d) Unremitted Statutory Deductions and Payables

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

The Committee recommends that: -

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

e) Stalled Projects

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

The Committee recommends that: -

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

f) Irregular Use of University Land by Undisclosed Private Investors

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

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

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

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

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

SIGNED: ..... DATE: 25TH FEB 2026

Hon. Wanami Wamboka, CBS. MP (CHAIRPERSON