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REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – THIRD SESSION – 2024

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THE SECOND REPORT OF THE PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICES, ADMINISTRATION AND AGRICULTURE ON CONSIDERATION OF THE AUDITOR GENERAL'S REPORTS ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS

DIRECTORATE OF AUDIT, APPROPRIATIONS & GENERAL PURPOSE COMMITTEES

CLERK'S CHAMBERS

PARLIAMENT BUILDINGS

NAIROBI

FEBRUARY, 2024

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 22 FEB 2024 DAY. Thurs

TABLED BY: Hon. EMMANUEL WANGWE, CBS, MP (Chairperson, PIC – Social services, Administration & Agri

CLERK-AT THE TABLE: A. Shubuko

LIST OF ABBREVIATIONS/ACRONYMS

Ag. - Acting

AG - Attorney General

CEO - Chief Executive Officer

CS - Cabinet Secretary

DCI - Directorate of Criminal Investigations

DG - Director General

EACC - Ethics and Anti-Corruption Commission

ERP - Enterprise Resource Planning

FY - Financial Year

GoK - Government of Kenya

IAS - International Accounting Standards

ICT - Information, Communications & Technology

KEMRI – Kenya Medical Research Institute

KMTC – Kenya Medical Training College

KMLTTB-Kenya Medical Laboratory Technicians and Technologists Board

KMPDC – Kenya Medical Practitioners and Dentists Council

KUTRRH- Kenyatta University Teaching Referral and Research Hospital

CHAIRPERSON'S FOREWORD

The Public Investments Committee on Social Services, Administration and Agriculture 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 efficiency and effectiveness in the use of public resources. The Committee is established pursuant to National Assembly Standing Order 206 B.

The Public Investment on Social Services, Administration and Agriculture, with regard to the agriculture, public administration, health, and social protection sectors; examines the reports and accounts of public investments, examine the reports of the Auditor-General on public investments; and in the context of the autonomy and efficiency of the public investments, examine whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent Commercial practices. This ensures implementation of *Article 229(8)* of the Constitution on reports laid before the House by the Auditor- General.

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

There are more than four hundred (400) State Corporations undertaking different mandates in their respective sectors. Due to this large number, the previous Public Investments Committees had been unable to conclude examination of the accounts of the Auditor General of these State Corporations.

Considering the workload and the backlog, the National Assembly resolved to amend the standing orders by splitting the Public Investment Committee into three committees, Public Investments Committee on Social Services, Administration and Agriculture (PIC-SSAA) being one of them.

The Committee (PIC-SSAA) with a view to clear the backlog in examining the reports of the Auditor General, embarked on the process of inviting the accounting officers for the State Corporations under its mandate to adduce evidence before it.

This report contains observations, findings and recommendations arising from examination of reports of the Auditor-General for five (5) state corporations for different financial years. The

report is structured as follows:

i) general observations to each of the cross-cutting queries;

ii) recommendations to each of the cross-cutting queries;

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

iv) management responses to each of the queries;

v) committee observations/ findings on each query; and

vi) Committee recommendations to each query raised

In this report, the Committee makes policy recommendations and at the same time recommends specific actions against specific officers. It further recommends further investigations of certain matters by competent investigative agencies such as the EACC and the DCI.

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to fulfil its Constitutional mandate. The Committee further extends its appreciation to the Office of the Auditor- General for the services they offered to the Committee during the entire period.

I also extend my appreciation to my fellow Members of the Committee whose 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 Social Services, Administration and Agriculture and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present the 2nd Report of the Public Investments Committee on Social Services Administration and Agriculture on the examination of the Reports of the Auditor-General on the Financial Statements of five (5) State Corporations.

22/02/2024

HON. EMMANUEL WANGWE CBS, MP

<u>CHAIRPERSON – PUBLIC INVESTMENTS COMMITTEE ON SOCIAL SERVICE, ADMINISTRATION AND AGRICULTURE</u>

EXECUTIVE SUMMARY

The 2nd Report of the Public Investments Committee on Social Services, Administration and Agriculture contains the Committee's examination of five (5) 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 course of financial and/or management actions were or were not taken. This was done with the relevant laws in mind including, the Constitution, the Public Finance Management Act, 2012 and Regulations, the Public Audit Act, 2015, the State Corporations Act, and the Public Procurement & Asset Disposal Act, 2015.

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 while undertaking its mandate.

Part two of the report contains the Committee's general observations and recommendations.

Part three of the report contains reports of the specific State Corporations, Committee Observations, findings and finally, Committee recommendations on the State Corporations.

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

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

    a. examine the reports and accounts of public investments;

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

    c. examine, in the context of the autonomy and efficiency of 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, was guided by the Constitution of Kenya and the following statutes and regulations in carrying out its mandate;

    The Public Finance Management Act, 2012;

    The Public Audit Act, 2015;

    The State Corporations Act, 1986;

    The Public Procurement and Assets Disposal Act, 2015;

    The National Assembly Standing Orders; and

    The National Assembly (Powers and Privileges) Act, 2017.

1.2 Committee Membership

3. The Committee membership comprises -

S/No	Member's Name	Constituency	Party
1.	Hon. Emmanuel Wangwe, MP CBS– **Chairperson**	Navakholo	ODM
2.	Hon. Caleb Amisi Luyai, MP- **Vice Chairperson**	Saboti	ODM
3.	Hon. Ferdinand Kevin Wanyonyi, MP	Kwanza	FORD-K
4.	Hon. Martin Peters Owino, MP	Ndhiwa	ODM
5.	Hon. Mary Wamaua Njoroge, MP	Maragua	UDA
6.	Hon. Nixon Nicholas Ngikor Ngikolong, MP	Turkana East	Jubilee
7.	Hon. (Dr.) Peter Francis Masara, MP	Suna West	ODM
8.	Hon. Abdi Jehow Fatuma,MP	Wajir	ODM
9.	Hon. Bernard Kibor Kitur, MP	Nandi Hills	UDA
10.	Hon Elijah Njore Njoroge Kururia, MP	Gatundu North	Independent
11.	Hon. Geoffrey Wandeto Mwangi, MP	Tetu	UDA
12.	Hon. Bishop Emeritus (Dr.) Jackson Kipkemoi Kosgei, MP	Nominated	UDA
13.	Hon. Joshua Kivinda Kimilu, MP	Kaiti	WDM
14.	Hon. Michael Wambugu Wainaina, MP	Othaya	UDA
15.	Hon. Paul Nabuin Ekwom, MP	Turkana North	ODM

1.3 **Committee Secretariat**

4. The following members of the Secretariat facilitated the Committee:

Mr. Aden Abdullahi

Principal Clerk Assistant II-Head of Secretariat

Mr. Mark Namaswa

Clerk Assistant III

Ms. Mercy Kinyua

Legal Counsel II

Ms. Christine Kemunto Mariita

Clerk Assistant III

Mr. Thomas Ogwel

Fiscal Analyst II

Ms. Esther Kariuki

Hansard Officer III

Mr. Wesley Abugah

Research Officer III

Mr. Moses Esamai

Audio Officer

Ms. Lily Cherotich

Communication Officer

Mr. Benson Muthuri

Sergeant-At-Arms

Mr. Noah Chemweno

Sergeant-At-Arms

Mr. Kevin Ojiambo

Media Relations Officer

Mr. Derrick Omondi

Intern

Committee Proceedings

5. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee received both oral and written evidence from Chief Executive Officers of various State Corporations.
6. To produce this report, the Committee held thirteen (13) sittings in which it examined the evidence adduced by the accounting officers of the five (5) State Corporations.
7. The recommendations are found under various sections of the report on each of the State Corporations examined.
8. The recommendations on the issues raised by the Auditor General for the various State Corporations are found under appropriate sections of the report for each of the State Corporations covered
9. 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 sector as a whole.

1.2 General Committee Observations and Recommendations

1.2.1 Lack of ownership documents on land and building.

10. The Committee observed and noted with concern that several State Corporations as detailed below, did not possess title documents for land and buildings in their occupation.
11. Kenya Medical Training college did not possess title deed for listed nineteen (19) parcels of land with a total acreage of 248.68 Acres located at the headquarters and constituent colleges all valued at Kshs. 350,735,000.

No.	Location of Parcel of Land	Size (Acres)	Value as at 30 June 2018 (Kshs)
1.	Nakuru	16.82	32,730,000
2.	Mombasa	4.42	19,800,000
3.	Homabay	9.12	14,750,000
4.	Garissa	16.83	5,845,000
5.	Embu	8.471	13,600,000
6.	Meru	6.946	17,350,000
7.	Kisumu	21.5	41,450,000

8.	Murang'a	4	8,710,000
9.	Siaya	11.29	6,800,000
10.	Lodwar	40.11	11,500,000
11.	Loitokitok8	3	2,550,000
12.	Kitui	20	20,000,000
13.	Kabarnet	9.25	5,600,000
14.	Kilifi	4.34	9,600,000
15.	Eldoret	21.32	43,250,000
16.	Msabweni	19.76	6,200,000
17.	Karuri	5	6,000,000
18.	Mathare	1.5	22,500,000
19.	Karen	25	62,500,000
	Total	248.68	**350,735,000**

12. Kenyatta University Teaching Referral and Research Hospital does not possess title deed and ownership documents for the 100 acres of land it sits on.
13. Kenyatta Medical Research Institute does not possess title deed for various parcels of land valued at Kshs.227,642,500, situated at KEMRI Headquarters (8.083 ha), Kenyatta National Hospital (1.34 ha), Kilifi (2.705 ha), Kwale (2.023 ha), Mbagathi Road (2.4282 ha) and Taita Taveta (4.047 ha)
14. It should be noted that under the International Public Sector Accounting Standards, an entity can only recognize assets in its books of accounts if it has ownership documents to those assets. In the absence of ownership documents, accuracy of presented financial statements by state corporations may be in doubt.

1.2.2 Land valuation

15. The committee observed that Kenyatta University Teaching Referral and Research Hospital does not possess ownership documents for the 100 acres of land it sits on. The value of this land is excluded in its balance of land and buildings of Kshs.7,372,035,036 reflected in the financial statements. This implies that the balance is grossly misstated. Further, Kenya Medical training college did not value and disclose the value for the various parcels of land

occupied by forty five (45) of its campuse. Specifically, in the financial year 2017/2018, the Auditor-General reported that the following thirty-two (32) campuses lands were not valued nor brought into the books of account: the land in question are Chwele, Gatundu, Isiolo, Iten, Kapenguria, Kaptumo,Kitale, Kombewa, Kuria, Kwale, Lake Victoria, Lamu, Lugari, Makindu,Makueni, Manza, Migori, Molo, Mosoriot, Mwingi, Nyahururu, Nyamache, Nyamira, Nyandarua, Othaya, Rera, Thika, Ugenya, Vihiga,Voi Wajir and Webuye.

16. In the absence of the valuation report for the parcels of land, the property, plant and equipment balances reflected in the respective **corporations'** financial statements were not fairly stated.

17. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officers of the affected state corporations should liaise with the Cabinet Secretary Ministry of Lands, Public Works, Housing and Urban Development and the National Land Commission, to fast-track the process of securing ownership documents for the Corporation land. The Accounting Officers of the affected state corporations should report back to the National Assembly within this period on the status.

ii) The Accounting Officer of various state corporations **should ensure that the entity's assets** are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

1.2.2 Delay in availing documents to the Auditor-General

18. The Committee observed that some accounting officers did not avail complete and reconciled financial and accounting records/documentation in time for audit review and verification during the audit exercise leading to unnecessary queries. This is contrary to the provisions of Article 226 of the Constitution and Section 68(2) of the PFM Act 2012 which requires that the financial and accounting records are presented within three (3) months after the close of the financial year. Section 62 of the Public Audit Act of 2015 obligates accounting officers to provide required documents for audit failure to which they be sanctioned.

19. **Committee Recommendations**

i) Accounting officers should comply with the provisions of Section 68(2) of the Public Finance Management Act of 2012 by submitting all the required information for audit within the stipulated timelines.

ii) Within two (2) months upon adoption of this report, any Accounting Officer who fails to provide required information for audit pursuant to Section 62(1) of the Public Audit Act, 2015 should be prosecuted for the offence pursuant to Section 62(2) of the Public Audit Act of 2015

1.2.3 Delay in appointments of Board of Directors

20. The Committee observed that some State Corporations were operating without properly constituted Board of Directors. The anomaly was attributed to delays by the appointing authority to fill up vacancies once they arise.
21. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the relevant appointing authority for the respective Board Members ensures that all existing vacancies for the respective State corporations are promptly filled and that in future the tenure of the Board members is staggered to avoid a situation where the term of all Board Members expires at the same time.

ii) The Committee reprimands the then Cabinet Secretary for Health for failing to fill the vacancies that existed in the Board of Kenya Medical Laboratory Technicians and Technologist Board between 2018 and 2022.

1.2.4 Irregular procurement processes and management of contracts

22. The Committee observed and noted with concern that some State Corporations undertook irregular procurement processes, contrary to the provisions of the Public Procurement and Assets Disposal Act, 2015 and the attendant Regulations, Legal Notices and government circulars leading to inflated costs of projects. Additionally, some contracts were managed poorly leading to delays in completion, irregular cost variations and thus causing unnecessary escalation of costs.

23. **Committee Recommendations**

i) The Accounting Officers of State Corporations should at all times ensure adherence to the budget, proper procurement planning, project management and undertaking credible feasibility studies to prevent irregular variations during contract implementation. Should any breach be observed, the penalties prescribed in the Public Procurement and Asset Disposal Act, 2015 and the PFM Act 2012 should be evoked by the DPP on person found culpable.

ii) The Accounting Officers of State Corporations should at all times comply with the provisions of Section 139 of the Public Procurement and Asset Disposal Act, 2015. The relevant authority should take action against those who may have contravened the sections of the Act.

1.2.5 Matters pending in Court

24. The Committee observed that a number of litigations concerning ownership of land of State Corporations and other legal matters have been pending before the courts of law for inordinately long despite resolutions of the House through previous PIC reports calling for the expeditious conclusion of the cases.

25. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officers whose lands are subject to legal suits or have other pending cases pertaining to the corporations should liaise with the Office of the Attorney General and petition the Judiciary to consider prioritizing and expediting conclusion of the cases with the view of restoring the land back to the public.

ii) The Accounting Officers should strive to embrace Alternative Dispute resolution Mechanisms in resolution of disputes before going to court.

<u>1.2.6 Delayed recovery of receivables</u>

26. The Committee noted that KEMRI was in breach of Section 71 of the Public Finance Management Act 2012 and the attendant regulations that require surrender of imprests within seven days upon conclusion of the assignment for which the said imprest was issued.

27. **Committee recommendations**

i) The Accounting Officers should ensure that imprest advanced to officers is surrendered within the stipulated period of seven (7) days after return to the work station in accordance with section 93 of the Public Finance Management (National Government) Regulations, 2015.

ii) Within six (6) months of the adoption of this report, the Accounting Officers who will have failed to take necessary steps to ensure that all outstanding imprests within their jurisdictions are recovered from the due date should be surcharged the full amount due with interest at the prevailing CBK rates. The Accounting Officer should submit a status report with evidence of recovery to the Auditor-General for audit and reporting.

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

2.1 KENYA MEDICAL TRAINING COLLEGE (FY 2017/2018 -2020/2021)

Dr. Kelly Oluoch the Chief Executive Officer and Accounting Officer for Kenya Medical Training College (KMTC) appeared before the Committee on 27th April, 2023, on 2nd October, 2023 to adduce evidence on the Audited accounts of the Kenya Medical Training College (KMTC) for the financial year 2017/2018 to 2019/2020 accompanied by Mr. CPA Elijah Mititi (Finance Manager), and submitted as follows:

FINANCIAL YEAR 2017/2018 - Qualified Opinion.

1. Revenue from Exchange Transactions

28. The Committee heard that, included in the statement of financial performance for the year ended 30 June 2018 is tuition, boarding and application fees of Kshs.3,432,127,210 which includes fraudulent receipts totaling Kshs.19,389,345 caused by falsification of deposit slips in the payment of fees. There was no evidence that the same had been recovered by the time of audit in February, 2019.
29. Consequently, the accuracy of the tuition, boarding and application fees of Kshs.3,432,127,210 included in the statement of financial performance could not be confirmed for the year ended 30 June 2018

Management Response:

30. The management informed the Committee that, the college recognized total receipts amounting to Kshs.19,389,345 from various campuses which were as a result of students presenting falsified bank slips. The College confirmed that the students with fees in default have since paid the full college fees and disciplinary action taken against culpable students.
31. The management has implemented an Enterprise Resource Planning (ERP) system which integrates with banks for real-time update of fee payment.
32. **Committee observations**

i) The students who defaulted in the payment of fees have since paid the full college fees and disciplinary action taken against culpable students who presented falsified bank slips. However, the evidence adduced on recovery and action taken against the students had not been submitted to the Auditor-General for verification.

ii) The College has implemented an Enterprise Resource Planning (ERP) system which integrates with banks for real-time update of fee payment.

33. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officer should submit the evidence on recovery and action taken against the students to the Auditor-General for verification and report to the National Assembly.

2.0 Cash and Cash Equivalents

2.1 Cash at Hand

34. The Committee heard that, cash and cash equivalents balance of Kshs.1,623,526,964as at 30 June 2018 include cash at hand balance of Kshs.1,591,694 out of which cash balances totaling to Kshs.50,024 made up of Tana River campus Kshs.44,360 and Chuka campus Kshs.5,664 were not supported by cash survey certificates.

Management Response

35. The supporting cash survey certificates were availed and verified.
36. **Committee observation**

The cash survey certificates were vailed to the Auditor-General.

37. **Committee recommendation**

Within three (3) months upon the adoption of this report, the Auditor-General should review the cash survey certificates totalling Kshs.50,024 made up of Tana River campus Kshs.44,360 and Chuka campus Kshs.5,664 and report to the National Assembly in the next audit cycle.

2.2 Cash at Bank and Mpesa

38. The Committee heard that, the financial statements reflects cash at bank balance of Kshs.1,621,655,576 as at 30th June, 2018. However, a review of the reconciliation statements revealed the following anomalies;

2.2.1 Bank and Mpesa Confirmation Certificates

39. Confirmation certificates in respect to nine (9) bank accounts and one Mpesa account for the headquarter amounting to Kshs.18,661,278 were not availed for audit verification.

Management Response

40. The confirmation certificates in respect to the nine (9) bank accounts and one Mpesa account were availed for verification.

No	Account Name	Bank	Account No
1	KMTC Recurrent General Account	NBK	01003058434800
2	KMTC H/Q Development Account	NBK	01003058462000
3	KMTC H/Q Revenue Account	NBK	1003058521700

4	KMTC H/Q Expenditure Account	NBK	01003058921400
5	KMTC Central Collection Account	NBK	01003086514000
6	Funzo Kenya Project Account	NBK	01020090095000
7	KMTC World Bank ECN Project Account	NBK	01023109901800
8	KMTC HSSM Project Account	NBK	01003086522400
9	KMTC Holding account	KCB	1158030274
10	KMTC ADMISSION PAYBILL	SAFARICOM	964150

41. **Committee observation**
The Accounting Officer provided the confirmation certificates to the Auditor-General.

42. **Committee recommendation**
Within three (3) months upon the adoption of this report, the Auditor-General should review the bank reconciliations and bank confirmation certificates and report any anomalies to the National Assembly.

2.2.2 Outstanding Reconciling Items

43. A review of the various reconciliation statements revealed the following;

(i) Un-presented cheques totaling to Kshs.101,186,927 in respect to five (5) bank accounts were outstanding as at 30 June 2018 and the clearance status had not been disclosed as at 29 March 2019.

(ii) Receipts in bank not in cashbook totalling to Kshs.2,150,200 in respect to four (4) bank accounts were also outstanding as at 30 June 2018 and the clearance status as at 29 March 2019 had not been disclosed.

(iii) Payments in bank not in cashbook totalling to Kshs.527,574 in respect to eight (8) bank accounts were outstanding as at 30 June 2018 and the clearance status had not been disclosed as at 29 March 2019.

(iv) Receipts in cashbook not in bank statements totaling to Kshs. 92,500 in respect to six (6) bank accounts were also outstanding as at 30 June 2018 and the clearance status had been disclosed as at 29 March 2019.

44. Further, the bank reconciliation statement for Othaya and Tana River Accommodation accounts reflect balance as per bank statement of Kshs.650,985and Kshs.26,879 respectively but the bank confirmation certificates reflect Kshs.654,985 for Othaya and Kshs.46,764 for Tana River resulting in unreconciled difference of Kshs.4,000 and Kshs.19,885 respectively.

45. Consequently, the validity and accuracy of cash and cash equivalent balance of Kshs.1,623,526,964 as at 30 June 2018 could not be confirmed. (To confirm the statement.)

Management Response

46. The management informed the Committee that the reconciling items were subsequently cleared.

47. **Committee observations**

i) The queries were occasioned by delay in availing documents for audit verification.

ii) The Accounting officer has committed an offence under Section 197 (1) (L) of the PFM Act, 2012 by failing to keep proper records inform of accurate bank reconciliations.

48. **Committee recommendation**

The Accounting Officer should at all times ensure that reconciliations are done in time and the complete financial statements submitted to the Auditor-General within three (3) months after the close of the Financial Year as provided for in Article 229 (4)(h) and Section 81 (4)(a) of the Public Finance Management Act, 2012 read together with Regulation 90 of the PFM (National Government) Regulations, 2015.

2.0 Receivables from Exchange and Non-Exchange Transactions

49. The Committee heard that, receivables from exchange and non-exchange transactions balances totaling Kshs.448,002,159 reflected in the statement of financial position as at 30th June, 2018 include brought forward balances of Kshs.19,812,181 and Kshs.21,831,155 due from the Ministry of Health and Kenyatta National Hospital respectively and which, although recommended for write-off by the Board in February 2007, the same were not expunged from the books of account because approval in this respect had not been obtained from the parent Ministry by 30th June, 2018.
50. Further, the total receivables balance of Kshs.448,002,159 includes an amount of Kshs.67,459,840 in respect of accumulated rent arrears due from the University of Nairobi for ninety-six (96) rooms occupied by the University's medical students. However, no lease agreement between the College and the University was presented for audit verification. It is not clear under what circumstances the arrears accumulated to Kshs.67,459,840 as at 30th June, 2018.
51. Consequently, the validity, accuracy, and full recoverability of receivables balance of Kshs.448,002,159 as at 30 June 2018 could not be confirmed.

Management Response

52. The committee was informed that an Amount Kshs 19,812,180 and 21,831,115 relating to Ministry of Health that has been outstanding Since 1996/1997 financial year. The Board of Management recommended the write-off of these debts and the recommendations have since

been forwarded to Parent Ministry for approval. As of now the college is awaiting necessary National Treasury approval to write off this un-recoverable debt. The college is still following up the matter with parent Ministry.

53. The management informed the Committee that, included in the exchange transaction receivables is an amount of Kshs.67,459,840 being rent arrears accumulated for about 20 years. The management is in the process of renegotiating the lease agreement which if agreed with the University of Nairobi and Kenya Medical Training College (KMTC) will solve this long-standing issue

54. **Committee Observations**

The Committee observed that in the PIC 23rd Report;

i) The KMTC Board of management had recommended write off for the amounts of Kshs. 21,831,115 and Kshs 19,812,181 due from Kenyatta National Hospital and the Ministry of Medical Services respectively. However, approval in this respect had not been obtained from the Ministry of Health.

ii) The audit query on accumulated rent arrears by the University of Nairobi had been considered in the 19th Report of the Public Investments Committee. The Committee recommended for speedy resolution of the matter and seizure of the property in question. These recommendations had not been implemented.

iii) The College had issued an eviction notice to University of Nairobi through a letter dated 11th July 2018 but the University had not responded nor vacated the property.

iv) The College had been invoicing the University every year but the University had not made any payment since last paying Kshs. 2,070,000 in the financial year 2012/13.

v) The Committee observed that their previous observations and recommendations had not been acted upon.

vi) An amount of Kshs. 67,459, 840 is respect of accumulated rent arrears due from the University of Nairobi for ninety six (96) rooms occupied by the University's medical students.

55. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the National Treasury, the Ministry of Health and the Ministry of Education should fast-track resolution of the matters raised in the audit query and the observations of this Committee and report back to National assembly.

ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

4.0 Property, Plant and Equipment

4.1 Lack of land Ownership Documents

56. The Committee heard that, the property, plant and equipment balance of Kshs.6,393,208,699 reflected in the statement of financial position as at 30th June, 2018 includes the following 22 parcels of land at the headquarters and constituent colleges with a total acreage of 277.587 acres valued at Kshs.502,485,000 in the June 2018 assets valuation report but whose title documents have not been availed for audit review:

No.	Location of Parcel of Land	Size (Acres)	Value as at 30 June 2018
1	Nairobi	5	88,750,000
2.	Nakuru	16.82	32,730,000
3.	Mombasa	4.42	19,800,000
4.	Kakamega	16.41	34,500,000
5.	Homabay	9.12	14,750,000
6.	Garissa	16.83	5,845,000
7.	Embu	8.471	13,600,000
8.	Meru	6.946	17,350,000
9.	Kisumu	21.5	41,450,000
10.	Murang'a	4	8,710,000
11.	Siaya	11.29	6,800,000
12.	Lodwar	40.11	11,500,000
13.	Loitokitok8	3	2,550,000
14.	Kitui	20	20,000,000
15.	Port Reitz	7.5	28,500,000
16.	Kabarnet	9.25	5,600,000
17.	Kilifi	4.34	9,600,000
18.	Eldoret	21.32	43,250,000
19.	Msabweni	19.76	6,200,000

20.	Karuri	5	6,000,000
21.	Mathare	1.5	22,500,000
22.	Karen	25	62,500,000
	Total	**277.587**	**502,485,000**

57. Further, the Committee heard that, the lands occupied by the following thirty-two (32) campuses have not been valued nor brought into the books of account: the land in question are Chwele, Gatundu, Isiolo, Iten, Kapenguria, Kaptumo,Kitale, Kombewa, Kuria, Kwale, Lake Victoria, Lamu, Lugari, Makindu,Makueni, Manza, Migori, Molo, Mosoriot, Mwingi, Nyahururu, Nyamache, Nyamira, Nyandarua, Othaya, Rera, Thika, Ugenya, Vihiga,Voi Wajir and Webuye.
58. Consequently, it has not been possible to confirm ownership of the twenty two (22) parcels of land valued at Kshs.502,485,000 and that the property, plant and equipment balance of Kshs.6,393,208,699 in these financial statements as at 30 June 2018 is fairly stated.

Management Response

59. The management informed the committee that, the various parcels of land at the Headquarters and constituent colleges have their titles being processed and they are at various stages and others have been completed.
60. The administrative conflict between the National Land Commission and Ministry of Land and urban development has been a general challenge in the processing of titles. However, the situation has now improved and all the process are now ongoing as show below;

No.	***Location of Parcel of Land***	***Size (Acres)***	***Cost Kshs.***	***Status***	***Management comments***
1.	Nairobi	5	88,750,000	***Title Now available***	***Resolved***
2.	*Nakuru*	*16.82*	*32,730,000*	*The process of acquiring the campus title is problematic. The Hospital is not cooperative. Numerous cases of encroachment on*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going.*

No.	Location of Parcel of Land	Size (Acres)	Cost Kshs.	Status	Management comments
1.	Nairobi	5	88,750,000	**Title Now available**	**Resolved**
				campus land by the hospital.	
3.	*Mombasa*	*4.42*	*19,800,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
4.	*Kakamega*	*16.41*	*34,500,000*	**Title Now available**	**Resolved**
5.	*Homabay*	*9.12*	*14,750,000*	*Part development plans and allotment letter available. The process of processing a title is ongoing.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
6.	*Garissa*	*16.839*	*5,845,000*	*Part development plan available. Survey for Garissa Block 4/42-60, 70, Block 3/475-483 and 207-216 was also done. The process of processing title is ongoing.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
7.	*Embu*	*8.471*	*13,600,000*	*Survey has been done on the plot registered as F/R NO. 174/147,*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has*

No.	Location of Parcel of Land	Size (Acres)	Cost Kshs.	Status	Management comments
1.	Nairobi	5	88,750,000	***Title Now available***	***Resolved***
				COMPS NO.21128 & Parcel No. 897. The plot belonged to Church Commissioners of Kenya who surrendered the title to the government of Kenya in 2003. An application has been made to the land Commission to issue an allotment letter.	*been submitted to management and title acquisition process is on going*
8.	*Meru*	*6.946*	*17,350,000*	*KMTC plot exist within the hospital which has an allotment letter. We have bought a survey data for **parcel** No's 2/134, 216-218, 656-659, and 796-797 to enable carry out a sub division. The PDP has been prepared and submitted to the Minister for lands for approval vide the district physical planning officer.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
9.	*Kisumu*	*21.5*	*41,450,000*	*The process of separating the*	*A service provider was identified (A licensed*

No .	*Location of Parcel of Land*	*Size (Acres)*	*Cost Kshs.*	*Status*	*Management comments*
1.	Nairobi	5	88,750,000	***Title Now available***	***Resolved***
				Campus title from the Hospital tittle is ongoing.	*land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
10.	***Murang'a***	*4*	*8,710,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
11.	*Siaya*	*11.29*	*6,800,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
12.	*Lodwar*	*40.11*	*11,500,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
13.	*Loitokitok*	*3*	*2,550,000*	*No title documents available. The land*	*A service provider was identified (A licensed land Surveyor) and a*

No.	Location of Parcel of Land	Size (Acres)	Cost Kshs.	Status	Management comments
1.	Nairobi	5	88,750,000	***Title Now available***	***Resolved***
				is yet to be surveyed and beaconed.	*preliminary report has been submitted to management and title acquisition process is on going*
14.	*Kitui*	*20*	*20,000,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
15.	*Port rietz*	*7.5*	*28,500,000*	***Title Now available***	***Resolved***
16.	*Kabarnet*	*9.25*	*5,600,000*	*Part development plan available but there is a dispute as to the ownership of the plots.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
17.	*Kilifi*	*4.34*	*9,600,000*	*The boundary beacons have been placed. Survey file completed & Part development plans available.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
18.	*Eldoret*	*21.32*	*43,250,000*	*The process of separating the Campus title from*	*A service provider was identified (A licensed land Surveyor) and a*

No.	*Location of Parcel of Land*	*Size (Acres)*	*Cost Kshs.*	*Status*	*Management comments*
1.	Nairobi	5	88,750,000	***Title Now available***	***Resolved***
				the Hospital title is ongoing. The subdivision process completed.	*preliminary report has been submitted to management and title acquisition process is on going*
19	*Msambweni*	*19.76*	*6,200,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
20.	*Karuri*	*5*	*6,000,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
21.	*Mathare*	*1.5*	*22,500,000*	*The process of separating the campus title from the Hospital title is ongoing. Part Development plan available*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has been submitted to management and title acquisition process is on going*
22.	*Karen*	*25*	*62,500,000*	*The process is at a preliminary stage.*	*A service provider was identified (A licensed land Surveyor) and a preliminary report has*

No.	Location of Parcel of Land	Size (Acres)	Cost Kshs.	Status	Management comments
1.	Nairobi	5	88,750,000	*Title Now available*	***Resolved***
					been submitted to management and title acquisition process is on going
	Total	***277.587***	***502,485,000***		

61. The Management informed the Committee that, the 32 parcels of land had been valued and information captured in the books of account 2021/2022.

62. **Committee Observations**

i) Out of the twenty two (22) parcels of land located at the headquarters and constituent colleges with a total acreage of 277.587 acres valued at Kshs.502,485,000 it is only the Nairobi, Kakamega and Port Reitz campuses that possess title deeds.

ii) In the absence of the valuation report for the thirty two (32) parcels of land, the property, plant and equipment balance of Kshs.6,393,208,699 in these financial statements as at 30th June 2018 was not fairly stated.

63. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officers should liaise with the Ministry of Lands, Ministry of Health and the National Land Commission to ensure that they secure ownership documents for all the colleges' land and report back to the National Assembly.

ii) The Accounting officer should undertake due diligence on the ownership of land before applying public funds to new campus sites where ownership has not been established or secured.

iii) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

Other Matter

Budget and Budgetary Control

64. The Committee heard that, the College's actual receipts amounted to Kshs.7,071,357,242 against budgeted receipts of Kshs.6,486,834,400 resulting in a revenue surplus of Kshs.584,522,842. This could be an indication of coming up with low budget targets. There is need therefore for the management to review its budget making mechanism with a view to coming up with more challenging targets to achieve even higher revenue growth.
65. Further, the Committee heard that, the College's actual expenditure for the year amounted to Kshs.6,344,672,968 against budgeted expenditure of Kshs.6,988,495,054 resulting in an overall under absorption of Kshs.643,822,086. It is therefore clear that the College did not fully achieve its budget objectives which adversely affected delivery of the intended services to the public. Therefore, there is need for the College to review its budget implementation process with a view to coming up with a vibrant budget implementation follow up mechanism and feedback processes with a view to ensuring that all projects and activities are implemented as planned for the College to meet its mission and objectives for the benefit of Citizens of Kenya.

Management Response

66. The management informed the Committee that, the college received additional Kshs. 553 million to cater for personnel emoluments following the college re-categorization from PC2a to PC 4. This explains the increase in receipts from Kshs 6,486,834,400 to Kshs.7,071,357,242.
67. During the year under review a budgetary adjustment of Kshs 305,326,637 to the operations and maintenance expenses under austerity measures which did not compromise quality of training.
68. **Committee observations**

i) The college received additional Kshs. 553 Million to cater for personnel emoluments following the college re-categorization from PC2a to PC4 thus occasioning the increase in receipts from Kshs 6,486,834,400 to Kshs 7,071,357,242.

ii) The under absorption of Kshs.643,822,086 may have led the college not to achieve some its budget objectives which may have affected delivery of the intended services to the public. The budgetary adjustment of Kshs 305,326,637 to the operations and maintenance expenses under austerity measures did not fully explain the under absorption of Ksh 643,822,086

69. **Committee recommendations**

The Board and the Accounting Officer, Kenya Medical Training College must at all times adhere to work plans, procurement plan and revenue collection schedule to ensure that they fully achieve its budget objectives. The Accounting Officer should at all times ensure that the annual budgets are realistic and achievable.

Basis for Conclusion

1. Opening of New Constituent Colleges

70. The Committee heard that, the college opened twenty two (22) new constituent colleges during the years 2013/2014, 2014/2015, 2015/2016 and 2016/2017 contrary to Part 4.0 of Expansion and Policy Guidelines Section 1 and 3 which states that new infrastructure should only be developed after concept paper and proposal in compliant with the respective Kenya Medical Training College strategic plan are prepared and approved, and source of financing identified.

71. The new colleges are: Makueni, Vihiga, Chwele, Kapenguria, Migori, Bomet, Kitale, Nyandarua, Kuria, Lake Victoria, Chuka, Gatundu, Iten, Kaptumo, Makindu, Molo, Mosoriot, Mwingi, Nyahururu, Rachuonyo, Rera and Othaya. These colleges were not budgeted for in the years when established and the total expenditure of Kshs.180,997,555 incurred on the same was not included in the annual estimates for the respective year. This is contrary to Section 12 of the State Corporations Act, Cap 446 which states that no corporation shall without the prior approval in writing of the Minister and the Treasury incur any expenditure for which provision has not been made in annual estimates. No reason has been provided for failure to comply with the expansion Policy and the State Corporations Act Cap 446.

Management Response:

72. Management informed the committee that the opening of new campuses has been achieved through collaboration with county governments and NG-CDF. This partnership provides support by construction of the infrastructure required for the campuses like classrooms, administration blocks, computer labs and hostels among other requirement. In addition, counties second some of their staff as lecturers.

73. This has enabled the College to open the new campuses in 2013/2014,2014/2015,2015/2016 and 2016/2017 financial years even though some were not provided for in the College's annual budget estimates as the expenditure was met by the County Governments and CDF as the case may be. Opening of new campuses and expansion of programs is guided by the KMTC Expansion policy.

74. **Committee observations**

i) The College opened the new campuses through the collaborations with the county governments and NG-CDF this provided the infrastructure required like classrooms, administration blocks computer labs and hostels among other requirements.

ii) A total expenditure of Kshs 180,997,555 incurred on the establishment of new constituent colleges was not included in the annual estimates for the year under review. Its an addition

75. **Committee Recommendation**

The Accounting Officer – KMTC should at all times adhere to the college expansion policy guidelines as required in the opening of new campuses.

<u>3. Quality of Training</u>

76. The Committee heard that, the college had 66 campuses spread across the county with a student population of 34,918 and total number of lectures including principals, dean of students and head of departments of 542. This translates to lecture student ratio of 1:65 which is below the International Standards on Quality Training of Health Workers which places the lecturer student ratio during classroom teaching at 1:10 resulting to a shortfall of 2,950 lecturers for the college to attain quality training level.
77. It is not clear the strategies being put in place by the management to bridge the gap between the current lecture students' ratio and the recommended optimum ratio.

Management Response

78. Management informed the committee that KMTC has employed the following strategies to bridge the gap in the student lecturer ratio:
    1. Collaboration with Ministry of Health and counties to second faculty staff
    2. Utilization of ICT e.g. KMTC E-learning platform to deliver content to students
    3. Contracting of part time lecturers
    4. Negotiating with regulatory bodies to progressively improve and bridge the lecturer student ratios initially from a baseline 1.20.
    5. Requesting for additional GOK funding for recruitment of staff to address the shortage.

79. **Committee Observations**

i) The College has collaborated with the Ministry of Health and the Counties to second faculty staff in order to bridge the student lecturer ratio. However, this would compromise on the quality of the services in the two institutions (county health facilities and KMTC).

ii) The KMTC is embracing the utilization of ICT and E-learning platforms to deliver content to students in order to address the students/lecturer ratio.

80. **Committee Recommendations**

The Kenya Medical Training College should employ more lecturers to comply with the International Standards on Quality Training of Health Workers which places the lecturer student ratio during classroom teaching at 1:10.

4. Composition of the Board

81. The Committee heard that, KMTC Board of Directors comprised of thirteen (13) board members excluding the Chief Executive Officer and the Corporation Secretary. The composition of the board is guided by the Kenya Medical Training College Act Cap 261 Revised Edition 2012 (1990) which allows a board composition of eighteen (18) members. However, this is inconsistent with the Mwongozo Code of Governance for State Corporations 2015 that requires Boards to comprise of a minimum of seven (7) and a maximum of nine (9) members and the State Corporations Act Cap 446 Section 6 (1) that recommends board composition of eleven (11) members.

Management Response

82. The Management informed the Committee that, Kenya Medical Training College Act Cap 261 Revised Edition 2012 (1990) allowed a board composition of eighteen (18) members. The KMTC board was aligned to State Corporations Act Cap 446 Section 6 (1) and Mwongozo Code Governance for State Corporation 2015 that provide for a minimum of 7 and maximum of 9 members. Subsequently, the Kenya Medical Training College Act was amended through the 2019 Health Act. Currently the Board has Nine (9) Members.

83. **Committee observations**

i) The Kenya Medical Training College Act was amended in 2019 to comply with the requirements of law.

84. **Committee Recommendations**

The Cabinet Secretary, Ministry of Health and the Accounting Officer should at all times adhere to the provisions of the establishing Act on the composition of the Board.

FINANCIAL YEAR 2018/2019

1.0 Inaccuracies in the Financial Statements Balances

85. The Committee heard that, the statement of financial performance reflects a balance of Kshs.3,618,552,292 in respect to employee costs during the year under review. However, the comparative balance of Kshs.3,590,678,857 reflected in the statement of financial performance differs significantly with the figure of Kshs.4,144,802,563 reflected in the respective notes to the financial statements by Kshs.554,123,706.
86. Similarly, the statement of financial performance reflects a balance of Kshs.1,748,981,591 in respect of general expenses which differs significantly with the figure of Ksh.1,194,857,885 reflected in Note 26 to the financial statements by Kshs.554,123,706.
87. In the circumstances, the accuracy of statement of financial performance for the year ended 30th June, 2019 could not be confirmed.

Management Response

88. The Committee was informed that, the College concurs with the comparative figures (previous financial year) for employee cost of 3,590,678,857 and 1,748,981,591 in the notes to the financial statements.
89. The variance is as a result of reclassification of travelling and accommodation from general expenses to employee costs. This was in compliance with reporting templates provided by the National Treasury.

90. **Committee Observations**

i) The Committee observed that, the comparative balance of Kshs.3,590,678,857 reflected in the statement of financial performance differs significantly with the figure of Kshs.4,144,802,563 reflected in the respective notes to the financial statements by Kshs.554,123,706.

ii) This variance was as a result of reclassification of travelling and accommodation from general expenses to employment cost in order to conform to the reporting standards.

91. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Auditor-General should review and verify the reclassification and report to the National Assembly in the next audit cycle.

2.0 Cash and Cash Equivalents

92. The Committee heard that, as disclosed at Note 32 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.1,559,738,289. However, a review of the bank reconciliation statements reveled un-presented cheques totaling to Kshs.2,675,022 receipts in bank not in cashbook totaling to Kshs.2,352,722, payments in bank not in cashbook totaling to Kshs.6,611,634. Further, there were receipts in cashbook not in bank statements totaling to Kshs.8,156,280 an indication that cash was not banked intact contrary to the financial regulation.
93. Consequently, the accuracy of the cash and cash equivalents balance of Kshs.1,559,738,289 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

Management Response

94. The management informed the Committee that, the reconciling items have been addressed in the subsequent financial years.

Bank Account	A/c Number	Amount
CCA	01003086514000	830,295.00
Nairobi Expenditure	01003058684500	401,980.00
Bomet Expenditure	01001090493800	94,277.00
Chuka Expenditure	1197644695	213,026.00

Chwele Expenditure	1197644695	8,640.00
Kapenguria Expenditure	1181501369	18,900.00
Kitale Expenditure	1161069089	1848.00
Kisumu Expenditure	1103862707	45,400.00
Mombasa Expenditure	01021007591400	8,510.00
Msambweni Expenditure	1108622534	1,260.00
Nakuru Expenditure	01020019900400	134,694.00
Nyahururu Expenditure	1183308922	29,787.00
Nyamira Expenditure	01129347686100	3,780.00
Nyeri Expenditure	01001043152800	76,727.00
Voi Expenditure	1206504374	54,350.00
Port Reitz Expenditure	01003008225100	4,311.00
Thika Expenditure	1101760567	34,300.00
Webuye Expenditure	1107203368	5,040.00
Lodwar Expenditure	1107331366	27,663.00
Siaya Expenditure	1106833511	629,570.00
Ugenya Expenditure	1207200646	51,064.00
Total		**2,675,022.00**

95. The management further informed the Committee that, the Receipts in bank not in cashbook totaling to Kshs.2,352,722 are bank deposits made by students but their slips not presented for receipting. Appropriate adjustments have been made and recognition of the revenue done in the financial statements shown below;

BANK	**Amount (Kshs.)**	**Management Comments**
HQ Expenditure	216,812.00	These were largely reapplied salaries erroneously drawn from the expenditure a/c by the bank. They were recognized through a Journal in June 2019.

HQ Recurrent	1,680,222.90	These were largely recalled staff salaries; The cumulative figure as at May 2020 was Kshs 1,772,385.40 and was journalized on 30.06.2020
Nairobi Expenditure	148,400.00	Journal passed in December 2019
Karen Expenditure	70,000.00	Reversed in July 2019
Kisii Accommodation	27,000.00	Journal passed in June 2019
Kitui Accommodation	170,500.00	Journal passed in June 2019
Mathare Expenditure	29,787.00	The reconciling item has been cleared as per attached bank statement
Karuri Accommodation	10,000.00	The reconciling item has been cleared as per attached bank statement
	2,352,721.9	
	2,352,721.90	

96. The Committee was also informed that, the payments in bank not in cashbook, the reconciling items were outstanding as at end of the year. Upon follow up with the bank, adjustments have been affected as shown below;

BANK	**Amount (Kshs.)**	**Management Comments**
HQ Expenditure	491,943.89	Journal passed in June 2020
HQ Recurrent	4,905,216.65	Recognized through reversals and Journals
HQ Development	14,697.00	Recognized through Journal
HQ Revenue	12,982.00	Recognized through Journal
Nairobi-Accommodation	73,500.00	Recognized through Journal
Machakos Accommodation	20,000.00	The reconciling items were consequently cleared as per attached

Manza Expenditure	1,093,294.00	The reconciling items were consequently cleared as per attached
	6,611,633.54	

97. The management informed the Committee that, the receipts in cashbook not in bank statements totaling to Kshs.8,156,280 were also followed up and cleared in the subsequent financial years as shown below;

BANK	**Ac. No.**	**Amount (Kshs.)**
Holding Account		3,992,100.00
CCA		3,690,380.00
Nairobi Campus Accommodation	1158030371	62,000.00
Eldoret Expenditure		237,500.00
Kabarnet Expenditure		174,300.00

98. **Committee observations**

i) The queries were occasioned by delay in availing documents for audit verification.
ii) There was delay in correcting the anomalies and updating the records.

99. **Committee recommendation**

The then Accounting Officer should at all times ensure that reconciliations are done in time and the complete financial statements submitted to the Auditor-General within three (3) months after the close of the Financial Year as provided for in Article 229 (4)(h) and Section 81 (4)(a) of the Public Finance Management Act, 2012 read together with Regulation 90 of the PFM (National Government) Regulations, 2015

3.0 Long Outstanding Balances- Receivables from Exchange Transactions

100. The Committee heard that, as disclosed in Note 25 to the financial statements, the statement of financial position reflects a balance of Kshs.458,872,363 in respect of receivables from exchange transactions which constitute an amount of Kshs.73,883,540 in respect of accumulated rent arrears. The amount is due from the University of Nairobi for ninety-six **(96) rooms occupied by the university's medical students at Kshs.80 per day. Although** management has indicated that the College has issued demand letters to the University for the

clearance of the outstanding amounts and a vacation notice to enable the College student occupy the hostels, the rent is said to continue to accumulate for over 20 years now.

Management Response

101. The Management informed the Committee that, the exchange transaction receivables is an amount of Kshs.73,883,540 being rent arrears accumulated for about 20years.The management is in the process of renegotiating the lease agreement which if agreed with the University of Nairobi and Kenya Medical Training College (KMTC) will solve this long-standing issue. The amount chargeable per year is 96 rooms at KES 80 per day for 365 days per year. (KES 2,803,200.00)
102. The Committee further heard that, the balance includes outstanding fees balance of Kshs.380,130,614 out of which Kshs.46,791,116 has been outstanding for more than one year. In particular, the balance includes outstanding fees balance of Kshs.10,362,171 under Kuria Campus out of which an amount of Kshs.7,102,021 represents money collected in form of cash directly from students but was not banked or reflected in the students' account.
103. The management informed the Committee that, the college initiated internal disciplinary process against the officers concerned and forwarded the matter to directorate of criminal investigations for further investigation. The case is still been handled by the investigation agency. Some of the aaffected students paid the amounts owing while the rest are awaiting the conclusion of the case being handled by the agency, the management has further retaliated the policy on payment to our customers for services rendered to the designated accounts only.

104. **Committee Observations**

The Committee had considered the audit query under the 2017/2018 Financial Year Committee Report and made the following observations:

i) The rent arrears by the University of Nairobi had been considered and recommended for speedy resolution of the matter and seizure of the property in question.

ii) The College had issued an eviction notice to University of Nairobi through a letter dated 11th July 2018 but the University had not responded nor vacated the property.

iii) The College had been invoicing the University every year but the University had not made any payment since last paying Kshs. 2,070,000 in the financial year 2012/13.

iv) None of the previous observations and recommendations had been acted upon.

105. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the National Treasury, the Ministry of Health and the Ministry of Education to fast-track resolution of the matters raised in the audit query and the observations of this Committee.

ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

4.0 Property, Plant and Equipment

106. The Committee heard that, as disclosed in Note 35 to the financial statements, the statement of financial position reflects an amount of Kshs.6,859,247,709 under property, plant and equipment. However, and as previously reported, this constitutes the value of eighteen (18) parcel of land at the headquarters and constituent colleges with a total acreage of 241.731 acres all valued at Ksh.333,385,000 but whose title documents were not availed for audit review. It has also been noted that land occupied by forty-five (45) campuses located across the country have not been valued and disclosed in records.
107. Consequently, the accuracy, completeness and ownership of land valued at Kshs.333,385,000 as at 30 June, 2019 could not be confirmed.

Management Response:

108. The various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.
109. Since then, the college management has made tremendous progress in processing of the title deeds of various campuses.
110. The Committee further heard that, the management can confirm that valuation of land has since been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.
111. The status of acquisition of ownership documents is as follows:

No.	*Location of Parcel of Land*	*Size (Acres)*	*Cost Kshs.*	*Current Status*
1	*Nakuru*	*16.82*	*32,730,000*	*The process of acquisition of title is ongoing. Meeting with the hospital management was done to agree on challenges that initially reported.*
2	*Mombasa*	*4.42*	*19,800,000*	*PDP approved and allotment letter issued*
3	*Homabay*	*9.12*	*14,750,000*	*Survey completed and deed plan obtained.* *PDP issued and gazetted.*

				The Surveyor is fast tracking the title acquisition.
4	*Garissa*	*16.83*	*5,845,000*	*Campus has two parcels of land.PDP obtained.* *The Surveyor is fast tracking the title acquisition.*
5	*Embu*	*8.471*	*13,600,000*	*PDP obtained. The Surveyor is fast tracking the acquisition of Lease and* *Letter of allotment pending.*
6	*Kisumu*	*21.5*	*41,450,000*	*Survey works done.* *Deed plan obtained* *Management is working to resolve dispute raised over the land.*
7	***Murang'a***	*4*	*8,710,000*	*Letter of allotment issued.* *Deed plans obtained.* *PDP obtained and gazetted. The Surveyor is fast tracking the acquisition of title deed.*
8	*Siaya*	*11.29*	*6,800,000*	*Survey works done. Beacons established and deed plans obtained. PDP is available. Letter of allotment was obtained. The Surveyor is fast tracking the acquisition of title deed*
9	*Lodwar*	*40.11*	*11,500,000*	*Survey works done and PDP obtained. The Surveyor is fast tracking the title acquisition.*
10	*Loitokitok*	*3*	*2,550,000*	*PDP NO. KAJ/317/97/2 done and completed and the College is awaiting allotment letter to fast-track title acquisition.*

11	*Kitui*	*20*	*20,000,000*	*One title deed obtained for kitui municipality.* *Transfer for Mutomo title deed pending*
12	*Kabarnet*	*9.25*	*5,600,000*	*Part development plan available. The three land parcels, Kabarnet Municipality/646-648 contained in the approved survey plan FR No. 523/90 have their leases being finalized at the land office in Arthi House Nairobi*
13	*Kilifi*	*4.34*	*9,600,000*	*The boundary beacons have been placed. Survey file completed & Part development plans available.*
14	*Eldoret*	*21.32*	*43,250,000*	*The subdivision process completed. The College is engaging the MTRH Management in solving the challenged raised for title acquisition process to be completed.*
15	*Msambweni*	*19.76*	*6,200,000*	*The perimeter survey of the KMTC land Parcel given as Kwale/Itumbi/66 is done. The Surveyor is fast tracking the title acquisition.*
16	*Karuri*	*5*	*6,000,000*	*The process of title acquisition is ongoing.*
17	*Mathare*	*1.5*	*22,500,000*	*Part Development plan available. The process of separating the campus title from the Hospital title is ongoing.*
18	*Karen*	*25*	*62,500,000*	*The Title deed is in the name of Karen Bliven -Kenya national Museum.* *The Surveyor is fast tracking the subdivision of the land.*

	Total	*241.731*	*333,385,000*	

112. **Committee Observations**

i) Eighteen (18) parcels of land located at the headquarters and constituent colleges with a total acreage of 241.731 acres all valued at Ksh.333,385,000 but whose title documents were not availed for audit review.

ii) In the absence of the valuation report for the forty five (45) parcels of land, the property, plant and equipment balance of Kshs. 6,859,247,709 in these financial statements as at 30th June 2019 was not fairly stated.

113. **Committee Recommendations**

i) Within three (3) upon adoption of this report, the Accounting Officers should liaise with the Cabinet Secretaries for Ministry of Lands, Public Works, Housing and Urban Development and Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the colleges' land and report back to the National Assembly.

ii) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

<u>**Unresolved Prior Year Matters**</u>

114. In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular reference No PSASB/1/12/(44) of 25th June, 2019.

115. **Committee observation**

The accounting Officer did not indicate the steps taken to resolve the prior year 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 reference No. PSASB/1/12/(44) of 25th June, 2019.

116. **Committee Recommendation**

The Committee reprimands the then Accounting Officer for failure to comply with the Section 31 (1) (a) of the Public Audit Act, 2015 that provides that a public entity shall as a preliminary step submit a report on how it has addressed the recommendations and findings of the previous year audit.

Rental Revenue from Facilities and Equipment

117. The Committee heard that, the statement of financial performance reflects rental revenue from facilities and equipment of Kshs.35,970,352. However, review of records revealed that (6) six tenants residing at the College Headquarters and whose annual rent amounts to Kshs.5,892,000 did not have valid lease agreements in place.

118. Consequently, the validity of rental income totaling to Kshs.5,892,000 in respect of the six (6) tenants could not be confirmed.

Management Response

119. The management informed the committee that, the status of the six tenants is as follows:

TENANTS	*MONTHLY RENT*	*ANNUAL RENT*	*COMMENT*
Africa Realtors	*412,500.00*	*4,950,000.00*	*Lease attached (annex 6 b)*
Beatrice Mosiara	*500.00*	*6,000.00*	*Left*
Bidii Hotel Services	*28,000.00*	*336,000.00*	*Left*
Daniel Mwangi	*20,000.00*	*240,000.00*	*Management following up*
Desang Limited	*10,000.00*	*120,000.00*	*Lease attached (annex 6 c)*
Dr.Kipruto Chesang	*20,000.00*	*240,000.00*	*Management following up*

120. This is to confirm the management has developed the housing policy which includes the tenancy lease agreements.

121. **Committee Observations**

i) The Accounting Officer did not submit the signed tenancy lease agreements for the (6) six tenants residing at the College Headquarters for the period raised in the audit query. The two leases submitted were dated one year after the audit.

ii) The Accounting Officer did not submit a copy of the approved housing policy.

122. **Committee recommendations**

i) Within three months upon adoption of this report the Accounting Officer should submit the signed tenancy lease agreements to auditor- General and the National Assembly for all the tenants residing at the College Headquarters and any other constituent college from June 2018 to date.

ii) Within three months upon adoption of this report the Board and the Accounting Officer should develop, adopt, approve and submit a rental houses management/ policy guidelines to the National Assembly for all the rental properties at the College Headquarters and any other constituent college.

Lack of Land Valuation

123. The Committee heard that, as disclosed in Note 35 to the Financial Statements, the statement of financial position reflects an amount of Kshs.6,859,247,709 in respect of property, plant and equipment. However, the movement schedule reflects land with a cost value of Kshs.1,165,920,000 which is based on a valuation done in 2005 over fourteen (14) years ago, an indication that the Colleges' land may be grossly undervalued as at 30th June, 2019. Management has not explained why the College's land has not been revalued since 2005 to obtain the fair value of the land.

124. In the circumstances, I am unable to confirm existence of effective internal controls on the land.

Management Response

125. The management informed the Committee that, the various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.

126. Since then, the KMTC management has made tremendous progress in processing of the title deeds of various campuses. The management can confirm that valuation of land has since been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.

127. **Committee Observations**

i) The Accounting Officer, Kenya Medical Training College did not comply with the provisions of International Public Sector Accounting Standards (IPSAS) which prescribe for periodic valuation and disclosure of fair values in the financial statements.

ii) The Accounting Officer did not provide the valuation report for over fourteen (14) years an indication that the Colleges' land may be grossly undervalued as at 30th June, 2019.

128. **Committee Recommendations**

i) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

ii) Within three months upon adoption of this report, the Accounting Officer should submit a copy of duly signed valuation report to the National Assembly and the Auditor – General for verification and reporting in the subsequent audit cycle. Failure to which disciplinary measures should be taken against the Accounting Officer in accordance with section 74 of the PFM Act, 2012.

FINANCIAL YEAR 2019/2020

1.0 Cash and Cash equivalents

129. The Committee heard that, the statement of financial position reflects cash and cash equivalents of Kshs. 536,976,120 as at 30th June, 2020 which as disclosed as Note 32 to the financial statements included cash at bank balances of Kshs. 536,060,228. However, the bank reconciliation statements reflected payments in bank statements not recorded in cashbooks totaling to Kshs. 910,482. No satisfactory explanation was provided as to why the cash book had not been updated accordingly. Further, the statement reflected receipts in cashbook not in the bank statements totaling to Kshs. 10,265,570.
130. No satisfactory explanation was provided as to why the receipts were not banked.
131. In addition, the reported bank balance of Kshs. 536,060,228 excluded an amount of Kshs.547,997 described as reversed cheques. However, the cheques had not been reversed in the cashbooks as indicated.
132. It was also noted that the Corporation centralized its revenue collection for tuition fees into two (2) bank accounts held at the headquarters. However, the bank reconciliations for the two (2) bank accounts were performed twice during the year. This is contrary to Regulation 90 of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to ensure bank accounts reconciliations are completed for each bank account held by the accounting officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General. Failure to perform monthly bank reconciliations may hinder timely detection of errors including fraud.

Management Response:

133. The Management informed the Committee that, the management investigated these payments and an explanation has been provided in the table below. These have been resolved as indicated below:

A. ***Payments in bank statements not recorded in cashbooks***

COLLEGE	*AMOUNT*	
NYANDARUA EXPENDITURE	*100,000.00*	*Amount refunded by the bank in July 2021 and the entry captured in the cash book. Copy of cashbook available (Annex 7a)*
HQ RECCURENT	*592,940.15*	*This relates to postings with respect to HQ expenditure accounts which were erroneously debited in in HQ recurrent account. The management has followed up with the bank to debit the relevant accounts. This has since been corrected. (Annex 7b 1-2)*

HQ DEVELOPMENT	*14,697.00*	*This relates to postings with respect to HQ expenditure accounts which were erroneously debited in in HQ development account. The amount was journalized in subsequent financial years (Annex 7c)*
HQ REVENUE	*12,982.00*	*This resulted from reversals of credit entries by bank which were subsequently captured in following months. (Annex 7d)*
HQ EXPENDITURE	*157,800.00*	*This relates to postings with respect to HQ expenditure accounts which were erroneously debited in in HQ Recurrent account. The management has followed up with the bank to debit the relevant account (Annex 7e)*
BONDO EXPENDITURE	*32,062.50*	*Related payments for fees external lectures and payment to KRA in tax form. Captured in cash book in June 2020 (Annex 7f)*
TOTAL	*910,481.65*	

1.1 Receipts in cashbook not in bank statement.

COLLEGE	***DATE***	***PAYEE***	***CHEQUE NO.***	***AMOUNT***	***DATE BANKED***
ELDORET EXP. A/C	*25/06/2020*	*PRINCIPAL MTC ELDORET*	*29*	*920,000.00*	*08/07/2020*
ELDORET EXP. A/C	*25/06/2020*	*PRINCIPAL MTC ELDORET*	*30*	*900,000.00*	*08/07/2020*
ELDORET EXP. A/C	*25/06/2020*	*PRINCIPAL MTC ELDORET*	*31*	*280,000.00*	*09/07/2020*
MANZA EXP. A/C	*6/30/2020*	*PRINCIPAL KMTC*		*869,100.00*	*10/07/2020*
MANZA EXP. A/C	*6/30/2020*	*PRINCIPAL KMTC*		*500,000.00*	*10/07/2020*
RERA EXP. A/C	*6/30/2020*	*Principal mtc Rera*	*23*	*512,781.00*	*01/07/2020*
CENTRAL COLLECTION ACCOUNT	*6/30/2020*	*VARIOUS*		*3,084,627.0 0*	*ANNEX 8 e*

HOLDING ACCOUNT	*6/30/2020*	*VARIOUS*		*3,199,062.00*	*ANNEX 8 f*
				10,265,570.00	

1.2 Unreversed unpresented cheques.

The stale cheques reversed in the relevant cashbooks as shown below:

COLLEGE	***DATE***	***CHEQUE***	***PAYEE***	***AMOUNT***	***DATE REVERSED***
NAIROBI EXPENDITURE	*12/03/2020*	*013837*	*EDWIN MAIKO NYANGARESI*	*52,400.00*	*31/1/2021*
NAIROBI EXPENDITURE	*12/03/2020*	*013840*	*KEVSHI SUPPLIES*	*3,580.00*	*31/1/2021*
NAIROBI ACCOMODATION	*13/3/2020*	*24*	*PRINCIPAL KMTC KURIA*	*15,000.00*	*30/9/2020*
MATHARE EXPENDITURE	*6/26/2020*	*1680*	*DELFINAH MANWA*	*3,600.00*	*1/7/2020*
THIKA EXPENDITURE	*15.1.2020*	*3424*	*KIMANI MOSES*	*11,340.00*	*1/7/2020*
	15.1.2020	*3427*	*WAMBUI MWANGI*	*11,200.00*	*1/7/2020*
	28.5.2020	*3639*	*COMMISSIONER OF VAT*	*1,404.00*	*1/7/2020*
NYERI EXPENDITURE	*20/4/2020*	*13745*	*EVA WANGUI KIMATHI*	*4,000.00*	*30/10/2020*
	22/4/2020	*13764*	*JENIFFER WANGUI MWANGI*	*5,000.00*	*30/10/2020*
BUNGOMA EXPENDITURE	*17.02.2020*	*2362*	*Jamii Telecommunications*	*13,110.00*	*30/07/2020*
	2.4.2020	*2413*	*Ndechago E nterprises*	*8,697.00*	*30/07/2020*
	29.4.2020	*2451*	*Kenya Power*	*28,740.00*	*30/07/2020*
NAKURU EXPENDITURE	*3.2.2020*	*12744*	*NJAU JOSEPH*	*14,000.00*	*30/9/2020*

NAKURU EXPENDITURE	*16.3.2020*	*128 77*	*COMMISSIONER OF VAT*	*7,241.00*	*30/9/2020*
NAKURU EXPENDITURE	*16.3.2020*	*128 79*	*COMMISSIONER OF VAT*	*247.00*	*31/10/2020*
KILIFI EXPENDITURE	*7.05.2020*	*781 3*	*BEYOND BOUNDARIES*	*75,259.00*	*30/07/2020*
GARISSA EXPENDITURE	*30.6.2020*	*176 0*	*POSTAL CORPORATION*	*10,010.00*	*1/9/2020*
NYAMACHE EXPENDITURE	*17/06/2020*	*697*	*Daniel Ogweri*	*5,400.00*	*29/09/2020*
WAJIR EXPENDITURE	*18.02.2020*	*115*	*GYTO SECURITY*	*167,069.0 0*	*01/07/2020*
ECN WORLD BANK	*4/1/2020*	*182*	*ABDIAZIZ AHMED*	*62,000.00*	*31/10/2020*
CCA	*6/30/2020*		*VARIOUS*	*48,700.00*	*31/07/2020*
				547,997.0 0	

2.0 Bank reconciliation & controls

134. The Management informed the Committee that, it liaised with the banks on the integration with ERP. Bank reconciliation is now in accordance with the KMTC finance internal controls manual for early detection of fraud by the students. Harnessing the benefits of the technology through ERP system has greatly reduced the risk of these practices. Receipting is auto generated hence bank reconciliations reports can be generated on a monthly basis.

135. Further, & in order to minimize the risk, the management engaged with its bankers to have statements provided to campuses on a daily basis for accountants to verify the receipts before issuance of receipts.

136. **Committee Observations**

i) The college has integrated with banks though ERP which has facilitated earlier detection of fraudulent deposit transactions reconciliations performed were not accurate, which affects the accuracy of figures presented in the financial statements

ii) There was delay in correcting the anomalies and updating the records.

137. **Committee recommendation**

The Accounting Officer should at all times ensure that monthly bank reconciliations are done in monthly and the complete financial statements submitted to the Auditor-General within three (3) months after the close of the Financial Year as provided for in Article 229 (4)(h) and Section 81 (4)(a) of the Public Finance Management Act, 2012 read together with Regulation 90 of the PFM (National Government) Regulations, 2015.

2.0 Receivables from Non-exchange transactions

138. The Committee heard that, the statement of financial position reflected receivables from non-exchange transactions balance of Kshs 519,812,180 as at 30th June, 2020. As previously reported, the balance included Kshs. 19,812,181 brought forward from prior years and due from the Ministry of Health. Although the balance was recommended for write-off by the Board in February, 2007, approval from the Parent Ministry had not been obtained by 30th June, 2020.

Management Response:

139. The Management informed the Committee that, included in the Non exchange transaction receivable is an amount Ksh. 19,812,180 relating to Ministry of Health that has been outstanding since 1996/1997.

140. The Board of Management recommended the write-off of these debts and the recommendations have since been forwarded to parent ministry for approval. As of now the college is awaiting necessary National Treasury approval to write off this un-recoverable debt. The college is still following up the matter with the parent ministry.

141. **Committee Observations**

i) The Committee observed that in the PIC 23rd Report; the KMTC Board of management had recommended write off for the amounts of Kshs 19,812,181 due from the Ministry of Medical Services. However, approval in this respect had not been obtained from the parent Ministry.

ii) The Committee observed that their previous observations and recommendations had not been acted upon.

142. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the cabinet Secretaries National Treasury and the Ministry of Health should fast-track resolution of the matters raised in the audit query and the observations of this Committee.

ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

3.0 Receivables from Exchange transactions

3.1 Rent arrears

143. The Committee heard that, as disclosed under Note 33 to the financial statements, the receivables from exchange transactions balance of Kshs. 864,601,096 included a rent receivables balance of Kshs. 76,677,780 of which an amount of Kshs. 70,236,040 was in respect of accumulated rent arrears due from the University of Nairobi for ninety-six (96) rooms occupied by the University's medical students. However, the agreement between the college and the University regarding accommodation of the students was not provided for audit. In addition, no satisfactory explanation was provided on how the arrears accumulated to Kshs. 70,236,040 as at 30th June, 2020.

144. In addition, the receivables from exchange transactions balance includes rent amounting to Kshs.2,200,000 due for institutional houses that had been allocated to persons not working for the College. Further, rent arrears amounting to Kshs.440,000 in respect of a tenant who was evicted in 2015 had not been recovered as at 30 June, 2020. Also, an amount of Kshs.2,157,500 was excluded from the rent arrears balance of Kshs.70,263,040.

Management Response:

145. The management informed the Committee that, included in the exchange transaction receivables is an amount of Kshs.70,236,040 being rent arrears accumulated for about 20years.

146. The management is in the process of renegotiating the lease agreement which if agreed with the University of Nairobi and Kenya Medical Training College (KMTC) will solve this long-standing issue. The amount chargeable per year is 96 rooms at Kshs. 80 per day for 365 days per year. (KES 2,803,200.00)

147. The management acted on this and gave notice to vacate the houses to all non KMTC staff who occupied the houses. Management is pursuing them to vacate the houses.

148. Further the rent arrears of Ksh 440,000 was reconciled and the Tenant had cleared the said amount as per attached bank statements.

149. **Committee Observations**

The Committee observed that in the PIC 23rd Report;

i) The College had issued an eviction notice to University of Nairobi through a letter dated 11th July 2018 but the University had not responded nor vacated the property.
ii) The College had been invoicing the University every year but the University had not made any payment since last paying Kshs. 2,070,000 in the financial year 2012/13.
iii) The management had initiated the process of renegotiating the lease agreement between the University of Nairobi and Kenya Medical Training College (KMTC) to solve the long-standing issue. However, the lease agreement had not been signed and therefore no valid and enforceable agreement is in place.
iv) The Committee observed that their previous observations and recommendations had not been acted upon.

150. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the National Treasury, the Ministry of Health and the Ministry of Education to fast-track resolution of the matters raised in the audit query and the observations of this Committee.
ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

3.2 Outstanding fees

151. The Committee heard that, receivables from exchange transactions balance includes fees balance of Kshs 873,727, 770 out of which Kshs. 70,737,440 had been outstanding for more than one year. Further, the outstanding fees balance of Kshs. 873,727,770 included outstanding fees of Kshs. 10,362,171 for Kuria campus of which a balance Kshs. 7,102,021 was in respect of money collected in cash directly from students irregularly and neither reflected in the students' accounts nor banked.

Management Response

152. The Management informed the Committee that, the college had an unusual receivable of Kshs. 70,737,440.00 arising from student fees as follows:

SUMMARY		
	CAMPUSES	*OUTSTANDING FOR MORE THAN ONE YEAR.*
1	*BOMET*	*843,220.00*
2	*BUNGOMA*	*1,925,357.00*
3	*BUSIA*	*595,826.00*
4	*CHWELE*	*65,000.00*
5	*ELDORET*	*1,047,950.00*
6	*EMBU*	*185,800.00*
7	*GATUNDU*	*1,630,147.00*
8	*HOMABAY*	*450,000.00*
9	*ISIOLO*	*65,000.00*
10	*ITEN*	*37,600.00*
11	*KABARNET*	*546,850.00*
12	*KAKAMEGA*	*1,291,200.00*
13	*KAPKATET*	*237,250.00*
14	*KAPTUMO*	*44,500.00*
15	*KAREN*	*1,095,200.00*
16	*KARURI*	*772,350.00*

17	*KILIFI*	*205,200.00*
18	*KISUMU*	*582,100.00*
19	*KITALE*	*207,800.00*
20	*KITUI*	*230,300.00*
21	*KURIA*	*7,447,321.00*
22	*KWALE*	*358,200.00*
23	*L. VICTORIA*	*123,900.00*
24	*LODWAR*	*4,551,140.00*
25	*LUGARI*	*33,600.00*
26	*MACHAKOS*	*949,100.00*
27	*MAKINDU*	*10,500.00*
28	*MAKUENI*	*758,500.00*
29	*MANZA*	*389,878.00*
30	*MATHARE*	*292,200.00*
31	*MERU*	*1,731,346.00*
32	*MIGORI*	*1,526,600.00*
33	*MOMBASA*	*986,360.00*
34	*MOSORIOT*	*668,920.00*
35	*MSAMBWENI*	*1,358,600.00*
36	*MURANGA*	*740,340.00*
37	*MWINGI*	*315,000.00*
38	*NAIROBI*	*17,313,555.00*
39	*NAKURU*	*1,630,050.00*
40	*NYAMACHE*	*125,950.00*
41	*NYAMIRA*	*870,040.00*
42	*NYANDARUA*	*551,870.00*

43	*OTHAYA*	*2,000.00*
44	*PORTREITZ*	*2,762,900.00*
45	*RACHUONYO*	*447,100.00*
46	*SIAYA*	*5,299,550.00*
47	*TANARIVER*	*101,200.00*
48	*THIKA*	*1,336,600.00*
49	*VIHIGA*	*3,031,000.00*
50	*WAJIR*	*714,900.00*
51	*WEBUYE*	*2,250,570.00*
TOTAL		***70,737,440.00***

153. The Management further informed the Committee that, the amounts have so far been cleared. Further the Management informed the Committee that, It is over this period that COVID-19 disrupted learning and the general activities of the college. student fee payments were also greatly affected due to the sluggish economy and also withdrawal of donors in scholarship funds like Afya Elimu Fund and HELB funding of TVET institutions only.

154. For Kuria Campus, the College initiated internal disciplinary process against the officers concerned and forwarded the matter to Directorate of Criminal investigations for further investigation. The case is still been handled by the investigation agency. Some of the affected students paid the amounts owing while the rest are awaiting the conclusion of the case being handled by the agency, the management has further reiterated the policy on payment to the designated accounts only.

155. **Committee observation**

Some of the affected students have since paid the full college fees and internal disciplinary process initiated against the officers concerned and the matter forwarded to Directorate of Criminal Investigations for further investigation. However, the evidence adduced on recovery of Kshs. 7,102,021 had not been verified and the status report on the investigation by the DCI was not provided.

156. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Accounting Officer should submit the evidence on recovery and action taken against the students to the Auditor-General for verification and report to the National Assembly.

3.3 Kenyatta National Hospital Students

157. The Committee heard that, receivables from exchange transactions balance of Kshs. 864,601,096 included Kshs. 21,831,155 due from Kenyatta National Hospital which, although recommended for write-off by the Board in February, 2007, approval had not been obtained from the parent Ministry by 30th June, 2020.
158. In the circumstances, the accuracy, completeness and full recoverability of total receivables from exchange transactions balance of Kshs. 864,601,096 could not be confirmed.

Management Response

159. The Management informed the Committee that, included in the Non-exchange transaction receivable is an amount 21,831,115 relating to Kenyatta National Hospital that has been outstanding for a long period. The Board of Management recommended the write-off of these debts and the recommendations have been forwarded to Parent Ministry for approval. As of now the college is awaiting necessary National Treasury approval to write off this un-recoverable debt. The college is still following up the matter with parent Ministry.
160. **Committee Observations**

i) The Committee observed that in the PIC 23rd Report; the KMTC Board of management had recommended write off for the amounts of Kshs.21,831,115 s due from Kenyatta National Hospital. However, approval in this respect had not been obtained from the parent Ministry.

ii) The Committee observed that their previous observations and recommendations had not been acted upon.

iii) The Committee is not satisfied with the management request of write-off.

161. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the Cabinet Secretaries (National Treasury and Ministry of Health) and Kenya Medical Training College to fast-track resolution of the matters raised in the audit query and the observations of this Committee and pursue write-off of the amount in accordance with regulation 157 of the PFM (National Government) Regulations, 2015. The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

4.0 Property, Plant and Equipment

4.1 Lack of land Ownership Documents and Unvalued Land Parcels

162. The Committee heard that, the statement of financial position reflects property, plant and equipment with a net book value of Kshs.7,532, 433,3666 as at 30th June, 2020 which as disclosed at Note 35 to the financial statements, included Kshs.1,165,920,000 for land. However, as previously reported, title documents for eighteen (18) parcels of land in various locations across the country and valued at Kshs. 333,385,000 were not provided for audit.

163. Further, the land on which forty-five (45) campuses were built had not been valued or included in the reported balance for property, plant and equipment.

Management Response

164. The management informed the Committee that, various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.

165. Since then, the KMTC management has made tremendous progress in processing of the title deeds of various campuses. The management can confirm that valuation of land has since been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.

166. The current status of acquisition of ownership documents is as follows:

No.	*Location of Parcel of Land*	*Size (Acres)*	*Cost Kshs.*	*Current Status*
1	*Nakuru*	*16.82*	*32,730,000*	*The process of acquisition of title is ongoing. Meeting with the hospital management was done to agree on challenges that initially reported.*
2	*Mombasa*	*4.42*	*19,800,000*	*PDP approved and allotment letter issued*
3	*Homabay*	*9.12*	*14,750,000*	*Survey completed and deed plan obtained.* *PDP issued and gazetted.* *The Surveyor is fast tracking the title acquisition.*
4	*Garissa*	*16.83*	*5,845,000*	*Campus has two parcels of land.PDP obtained.* *The Surveyor is fast tracking the title acquisition.*

5	*Embu*	*8.471*	*13,600,000*	*PDP obtained. The Surveyor is fast tracking the acquisition of Lease and* *Letter of allotment pending.*
6	*Kisumu*	*21.5*	*41,450,000*	*Survey works done.* *Deed plan obtained* *Management is working to resolve dispute raised over the land.*
7	***Murang'a***	*4*	*8,710,000*	*Letter of allotment issued.* *Deed plans obtained.* *PDP obtained and gazetted. The Surveyor is fast tracking the acquisition of title deed.*
8	*Siaya*	*11.29*	*6,800,000*	*Survey works done. Beacons established and deed plans obtained. PDP is available. Letter of allotment was obtained. The Surveyor is fast tracking the acquisition of title deed*
9	*Lodwar*	*40.11*	*11,500,000*	*Survey works done and PDP obtained. The Surveyor is fast tracking the title acquisition.*
10	*Loitokitok*	*3*	*2,550,000*	*PDP NO. KAJ/317/97/2 done and completed and the College is awaiting allotment letter to fast-track title acquisition.*
11	*Kitui*	*20*	*20,000,000*	*One title deed obtained for kitui municipality.* *Transfer for Mutomo title deed pending*

12	*Kabarnet*	*9.25*	*5,600,000*	*Part development plan available. The three land parcels, Kabarnet Municipality/646-648 contained in the approved survey plan FR No. 523/90 have their leases being finalized at the land office in Arthi House Nairobi*
13	*Kilifi*	*4.34*	*9,600,000*	*The boundary beacons have been placed. Survey file completed & Part development plans available.*
14	*Eldoret*	*21.32*	*43,250,000*	*The subdivision process completed. The College is engaging the MTRH Management in solving the challenged raised for title acquisition process to be completed.*
15	*Msambweni*	*19.76*	*6,200,000*	*The perimeter survey of the KMTC land Parcel given as Kwale/Itumbi/66 is done. The Surveyor is fast tracking the title acquisition.*
16	*Karuri*	*5*	*6,000,000*	*The process of title acquisition is ongoing.*
17	*Mathare*	*1.5*	*22,500,000*	*Part Development plan available. The process of separating the campus title from the Hospital title is ongoing.*

18	*Karen*	*25*	*62,500,000*	*The Title deed is in the name of Karen Bliven -Kenya national Museum.* *The Surveyor is fast tracking the subdivision of the land.*
	Total	***241.731***	***333,385,000***	

167. **Committee observations**

i) Eighteen (18) parcels of land located at the headquarters and constituent colleges valued at Ksh.333,385,000 but whose title documents were not availed for audit review.

ii) In the absence of the valuation report for the forty five (45) parcels of land, the property, plant and equipment balance of Kshs. 7,532,433,366 in these financial statements as at 30th June, 2020 was not fairly stated.

168. **Committee Recommendations**

i) Within three (3) upon adoption of this report, the Accounting Officers should liaise with Cabinet Secretaries Ministry of Lands and Ministry of Health and the chairman National Land Commission, to ensure that they secure ownership documents for all the colleges' land and report back to the National Assembly.

ii) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

4.2 Land Valuation

169. The Committee heard that, as reflected at Note 35 to the financial statements, the reported property plant and equipment balance of Kshs. 1,165,920,000 as at 30th June, 2020, was based on a valuation done in 2005. The company had therefore, not valued its land in the last fourteen (14) years.

Management Response

170. The management informed the Committee that, various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.

171. Since then, the KMTC management has made tremendous progress in processing of the title deeds of various campuses. The management can confirm that valuation of land has since

been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.

172. **Committee Observations**

i) The Accounting Officer, Kenya Medical Training College did not comply with the provisions of International Public Sector Accounting Standards (IPSAS) which prescribe for periodic valuation and disclosure of fair values in the financial statements.

ii) The Accounting Officer did not provide the valuation report for over fifteen (15) years an indication that the Colleges' land may be grossly undervalued as at 30th June, 2020

173. **Committee Recommendations**

i) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

ii) Within three months upon adoption of this report, the Accounting Officer should submit a copy of duly signed valuation report to the Auditor – General for verification and reporting in the subsequent audit cycle. Failure to which displinary measures should be taken against the Accounting Officer in accordance with section 74 of the PFM Act, 2012.

4.3 Lack of Fixed Assets Register

174. The Committee heard that, the College did not maintain an updated register of fixed assets at the headquarters and the campuses indicating the details and pertinent information as required under Regulation 143 of Public Finance Management (National Government) Regulations, 2015. The assets and liabilities register for the year ended 30th June, 2020 was also not submitted to the National Treasury as required by the National Treasury Circular No. 23/20 dated 14 October, 2020 which provides that the Assets and Liabilities Registers as at 30th June, 2020 should be submitted not later than 31st October, 2020.

Management Response

175. The management informed the Committee that, the master asset register and individual asset registers for campuses are available for review in accordance with The National Treasury guidelines. The college is in the final stages of undertaking asset tagging to assign serial numbers on every asset in its possession to be uploaded into assets register in the ERPs Asset Management module now operationalized. This will ensure that the asset register is always updated appropriately once any asset is acquired or disposed.

176. **Committee Observation**

The College has developed a master asset register and individual asset registers for campuses. Further the registers are to be uploaded to the ERP to ensure continuos update on asset acquisition and disposal.

177. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Accounting Officer should comply with the provisions of Regulation 143 (1) of Public Finance Management (National Government) Regulations, 2015 and submit the assets and liabilities register to the National Treasury as required by the National Treasury Circular No.23/20 dated 14 October, 2020. The fixed asset register should be submitted to the Auditor-General for verification and reporting in the subsequent audit. Failure to which the Accounting officer stands reprimanded by this Committee.

4.4 Construction of Tuition and Laboratory Building at Kapkatet Campus 2019/2020

178. The Committee heard that, the work in progress balance of Kshs. 1,144,998,723 reflected at Note 35 to the financial statements, includes the Project for construction of tuition and Laboratory building at Kapkatet Campus which was designed and awarded to a contractor to contract sum of Kshs. 37,797,792 on 11th October, 2018, for a contract period of 24 weeks ending April, 2019. However, audit site inspection in February, 2021 revealed that, the project had stalled, the contractor had abandoned the construction site and the construction works had started to deteriorate due to the effects of weather.

179. The amount certified as at the time of the audit in January, 2021, was Kshs. 25,465,325 or 67%. No plausible explanation was provided as to why liquidated damages had not been recovered from the contractor or the contract terminated lawfully.

Management Response

180. The management informed the Committee that, the project for the construction of tuition and laboratory building at Kapkatet campus which was designed and awarded to a contractor at contract sum of Kshs. 37,797,792 on 11th October, 2018 for contract period of 24 weeks ending April 2019. However, the contractor abandoned the construction site.

181. This is to confirm that the contractor was charged damages of Kshs. 516,750 and the works were formally terminated. Further, the works were awarded to a new contractor and was fully completed and currently operational.

182. **Committee Observations**

i) There was delay in completing the project. This impaired the realization of the envisaged public service delivery.

ii) The original contract was terminated and the contractor was charged Kshs. . 516,750.

iii) The works were awarded to a new contractor and the project is fully completed and in use.

183. **Committee Recommendation**

Within three (3)) months upon the adoption of this report, the auditor-General should verify the termination of the original contract and subsequent award of new contractor and assess the completion of the project and report to the National Assembly.

4.5 Construction of Classrooms and Administration Block for Tana River Campus

184. The Committee heard that, work in progress balance of Kshs. 1,144,998,723 included the contract for proposed classrooms and administration block for Tana River Campus awarded to a contractor on 8th July, 2019 at a contract sum of Kshs 26,848,974. The contractor took site possession on 16th March, 2020 for a contract period of 32 weeks, with a completion date of 17th December, 2020.

185. A total of Kshs 4,390,020 had been certified as per the records provided. However, audit inspection of the Project in February, 2021 revealed that the contractor had abandoned the construction site after just excavation of trenches at the foundation level. It could therefore not be confirmed whether the project would be completed as planned.

Management Response

186. The management informed the Committee that, the proposed classrooms and administration block for Tana River Campus was awarded to a contractor on 8th July, 2019 at a contract sum of Ksh. 26, 848,974. The contractor took site possession on 16th March, 2020. The audit inspection of the project in February 2021 revealed that the contractor had abandoned the construction site after just excavation of trenches at the foundation level.

187. Further the Committee was informed that, the contractor faced some technical and administrative challenges which were finally resolved and the works proceeded. Also, the land which the county Government allocated was changed to another site after the works started. Currently the project has been completed and the facility is being used.

188. **Committee Observations**

i) There was delay in completing the project. This impaired the realization of the envisaged public service delivery. Further there was a loss of public funds as a result of abandonment of the construction works.
ii) The contractor faced some technical and administrative challenges which were finally resolved and the works proceeded. However, the land which the county Government allocated was changed to another site after the works started.
iii) The project has been completed and the facility is being used.

189. **Committee Recommendations**

i) Within three (3) months upon the adoption of this report, the Auditor-General should establish the circumstances under which the first site was abandoned and the County Government relocated the project to another site. Further the Auditor-General should investigate how the contractor was compensated for the sum of Kshs. 4,390,020 in respect of excavation works.
ii) The Accounting Officer should at all times ensure that a proper feasibility study is undertaken on any project before initiation.

4.6 Conversion of Mtwapa Health Centre to a Rural Health Training Facility 2019/2020

190. The Committee heard that, work in progress balance of Kshs. 1,144,998,723 includes works for conversion of Mtwapa Health Centre to a Rural Health Training Facility. The contact was awarded to a contractor at a contract sum of Kshs. 42,133,570 for a contract period of thirty six (36) weeks commencing on 19th April, 2018 and an envisaged completion date of 27 December, 2018. As at the time of the audit in February, 2021, 82% of the contract amount had been certified. However, works were abandoned by the contractor after Kshs. 34,370,695 had been paid. Evidence of Management action to avert possible loss of public funds was not provided.

191. In the circumstances, it has not been possible to confirm the ownership, accuracy, propriety and completeness of the property, plant and equipment balance of Kshs. 7,532,433,366 as at 30 June, 2020.

Management Response:

192. The management informed the Committee that, conversion of Mtwapa health Centre to a rural health training facility was a project funded under the equalization funds undertaken by KMTC on behalf of Ministry of Health. This is to provide theatre and inpatient wards for the Mtwapa rural Health Centre to increase the capacity of the facility for training purposes. Therefore, the facility is fully owned by county Government of Kilifi but to be used by KMTC as a training ground for rural experience by students.

193. Although the construction of the project faced certain challenges from the contactor, it was finally completed and it is currently being used.

194. Committee Observations

i) There was delay in completing the project. This impaired the realization of the envisaged public service delivery.

ii) The project was funded under the equalization fund and was undertaken by KMTC on behalf of the Ministry of Health. Further the facility belongs to the County Government of Kilifi.

195. **Committee recommendations**

Within three (3) months upon the adoption of this report, the Auditor General should establish how the contractor was identified and awarded the contract and the status of projects completion and use.

1.0 Quality of Training

196. The Committee heard that, as at 30 June, 2020, the college had sixty-seven (67) campuses spread across the country with a student population of 34,918 and total number of lecturers including Principals, dean of students and heads of departments of 1,080. This translates to a lecturer student ratio of 1:32 which is, as previously reported, below the international standards on Quality Training of Health Workers which places the lecturer student ratio

during classroom teaching at 1:10. Therefore, the college had a shortfall of about 2,411 lecturers to attain the desired quality training level.

197. No evidence of the strategies put in place by the Management to bridge the gap between the current lecturer student ratio and the recommended optimum ratio.

Management Response:

198. The management informed the Committee that, Kenya Medical Training College has employed the following strategies to bridge the gap in the student lecturer ratio:

- Collaboration with Ministry of Health and Counties to second faculty staff.
- Utilization of ICT e.g KMTC e-learning platform to deliver content to students.
- Contracting of part time lecturers.
- Negotiating with regulatory bodies to progressively improve and bridge the lecturer student ratios initially from a baseline 1.20.
- Requesting for additional GOK funding for recruitment of staff to address the shortage.

199. **Committee Observations**

i) The College has collaborated with the Ministry of Health and the Counties to second faculty staff in order to bridge the student lecturer ratio. However, this would compromise on the quality of the services in the two institutions (county health facilities and KMTC).

ii) The Kenya Medical Training College has embraced the utilization of ICT and E-learning platforms to deliver content to students in order to address the students/lecturer ratio.

200. **Committee Recommendations**

i) The Accounting Officer – KMTC should at all times comply with the International Standards on Quality Training of Health Workers which places the lecturer student ratio during classroom teaching at 1:10.

ii) The Board - Kenya Medical Training College to employ more lecturer to comply with the international Standards on quality training.

<u>2.0 Opening of New Constituent Colleges</u>

201. The Committee heard that, as previously reported, the college opened twenty-two (22) new constituent colleges during the financial years 2013/2014, 2014/2015, 2015/2016 and 2016/2017. The new colleges are Makueni, Vihiga, Chwele, Kapenguria, Migori, Bomet, Kitale, Nyandarua, Kuria, Lake Victoria, Chuka, Gatundu, Iten, Kaptumo, Makindu, Molo, Mosoriot, Mwingi, Nyahururu, Rachuonyo, Rera and Othaya.

202. However, the expansion was contrary to sections 1 and 3 of part 4.0 of the Expansion and Policy Guidelines which provide that new infrastructure should only be developed after

concept paper and proposal in compliance with the respective Kenya Medical Training College Strategic plan are prepared and approved, and source of financing identified.

203. In addition, the colleges were not budgeted for in the years they were established and the total expenditure of Kshs. 180,997,555 incurred on the same was not included in the annual estimates for the respective years. This is contrary to Section 12 of the State Corporations Act which provides that no corporation shall without the prior approval in writing of the Minister and the Treasury incur any expenditure for which provision has not been made in annual estimates.

Management Response:

204. The management informed the committee that, opening of campuses has been achieved through collaboration with county governments and NG CDF. These partnerships provide support by construction of the infrastructure required for the campuses like classrooms, administration blocks, computer labs and hostels among their infrastructure requirements. In addition, counties second some of their staff as lecturers.

205. This has enabled the College to open all the new campuses in 2013/2014, 2014/2015, 2015/2016 & 2016/2017 financial years even though some were not provided for in the College's annual budget estimates as the expenditure was met by the County Governments or CDF as the case may be. The matter was settled by the parliament investment committee in 2019. Opening of new campuses and expansion of programs is guided by the KMTC Expansion policy.

206. **Committee observation**

The College opened the new campuses through the collaboration with County Governments and NG-CDF. This provided the infrastructure required ie classrooms, administration blocks, Computer laboratories, hostels among other requirements.

207. **Committee Recommendation**

The Committee Accounting Officer – KMTC should at all times adhere to the college expansion policy guidelines, as required in the opening of new campuses.

FINANCIAL YEAR 2020/2021

Basis for Qualified Opinion

1.Unsupported Rental Revenue from Facilities and Equipment

208. The statement of financial performance reflects revenue from facilities and equipment of Kshs. 31,795,911 and as disclosed in Note 23 to the financial statements. Included in the amount is Kshs. 8.098,175 collected from rental facilities in seven (7) campuses. However, the amount was not supported by detailed schedules indicating the respective amounts for each revenue stream per campus. In addition, four (4) tenants did not pay rent amounting to Kshs. 3,625,200 while a prepayment of Kshs. 472,500 was not disclosed in the financial statements.

209. In the circumstances, the accuracy and completeness of rental revenue from facilities and equipment of Kshs. 31,795,911 could not be confirmed.

Management Response:

210. Included in rental revenue from facilities and equipment balance is Kshs.8,098,174.95 relating to revenue collected from rental facilities within Eldoret, Karen, Kisumu, Lake Victoria, Meru, Port Reitz and Thika campuses. The lease agreements detailing the various revenue streams for the above-mentioned campuses are hereby attached. (Annex 15 a,b,c,d,e,f,g)

Four (4) tenants were as follows:

Name	*Rate charged - Kshs*	*Frequency of payment*		*Annual income Kshs*
Bidii hotel services	*28,000*	*Monthly*	*12*	*336,000*
Beatrice Mosiara	*500*	*monthly*	*12*	*6,000*
Dr Stanley Sanoiya	*20,000*	*Monthly*	*12*	*240,000*
University of Nairobi	*2,803,200*	*Yearly*	*1*	*2,803,200*
Mary Patricia Rono	*20,000*	*Monthly*	*12*	*240,000*
Total				*3,625,200*

211. It is true that the tenants have been giving the management challenges in payment of rent and a decision had been made that they vacate the houses.

212. Letters have been issued to them to vacate and management is pursuing them to vacate. Annex 11 a,b,c,d: Letters of notice to vacate

213. On the prepayment disclosure, the management has amended the financial statements and changes reflected in revised financial statements.

214. **Committee Observations**

i) The then Accounting Officer did not submit the signed tenancy lease agreements for the four (4) tenants residing at the College Headquarters for the period raised in the audit query. The two leases submitted were dated one year after the audit.

ii) The then Accounting Officer did not submit a copy of the approved housing policy.

215. **Committee recommendation**

Within three months upon adoption of this report the Accounting Officer should submit the signed tenancy lease agreements to auditor- General and the National Assembly for all the tenants residing at the College Headquarters and any other constituent college from June 2018 to date.

2. Receivables from Exchange Transactions

216. The statement of financial position reflects receivables from exchange transactions balance of Kshs. 763,891,464 as disclosed in Note 33 to the financial statements. However, the following unsatisfactory matters were noted;

2.1 Long Overdue Trade Receivables

217. Included in the trade receivables balance is an amount of Kshs. 747,317,583 for trade receivables from tuition fees out of which an amount of Kshs. 34,108,580 had been outstanding for more than one year. No explanations were provided for failure to collect the long outstanding receivables.

Management Response:

218. We concur that the college had receivable of KES 34,108,580.00 arising from student fees as follows:

	CAMPUS	MORE THAN 1 YEAR
1	Bomet	5,005,900.00
2	Bondo	98,600.00
3	Bungoma	614,150.00
4	Busia	1,092,054.00
5	Chuka	73,000.00
6	Chwele	129,000.00
7	Eldoret	164,000.00
8	Embu	129,100.00
9	Garissa	654,700.00

10	Gatundu	735,114.00
11	HomaBay	262,200.00
12	Iten	31,200.00
13	Kabarnet	28,100.00
14	Kakamega	2,017,300.00
15	Kapenguria	1,369,100.00
16	Kapkatet	817,592.00
17	kaptumo	79,000.00
18	Karen	88,200.00
19	Kilifi	1,103,800.00
20	Kisii	891,700.00
21	Kisumu	1,733,300.00
22	Kitale	140,400.00
23	Kitui	269,400.00
24	Kombewa	212,000.00
25	Kuria	7,470,121.00
26	Lake Victoria	202,900.00
27	Lodwar	1,458,600.00
28	Lugari	11,700.00
29	Machakos	220,500.00
30	Makueni	249,011.00
31	Mandera	40,400.00
32	Manza	229,500.00
33	Mbooni	238,300.00
34	Meru	396,780.00
35	Migori	379,800.00

36	Mosoriot	135,620.00
37	Msambweni	706,880.00
38	Muranga	410,740.00
39	Mwingi	347,500.00
40	Nakuru	7,000.00
41	Nyamache	78,800.00
42	Nyamira	179,150.00
43	Nyandarua	147,518.00
44	Nyeri	68,500.00
45	Port Reitz	1,018,700.00
46	Rachuonyo	502,350.00
47	Siaya	663,300.00
48	Sigowet	26,700.00
49	Tana River	47,700.00
50	Thika	225,400.00
51	Ugenya	98,600.00
52	Vihiga	470,300.00
53	Wajir	403,800.00
	TOTAL	**34,108,580.00**

219. This was the post COVID-19 recovery period and a steep improvement from 70,737,440.00 reported the previous year. The management has stepped up the efforts to collect arrears from student fees and to further keep the arrears at the lowest minimal level as possible.

220. The amounts have so far been cleared.

221. **Committee Observations**

i) Tuition fees amounting to Kshs. 34,108,580 had been outstanding for more than one year.

ii) There was no documentary evidence on how the management has stepped up the efforts to collect arrears from student fees and recovery of the Kshs.34,108,580.00 in question.

222. **Committee Recommendation**

Within three months upon adoption of this report, the Accounting Officer should submit an approved credit policy. In addition, submit documentary evidence of recovery of Kshs. 34,108,580 to Auditor-General for audit review and a copy to the National Assembly.

2.2 Unaccounted Receivables

223. The trade receivables amount includes Kshs. 16,445,339 in respect of outstanding tuition fee from Kuria Campus, out of which Kshs. 7,453,021 was collected in cash from students and there was no evidence of crediting students accounts on banking the amount in addition, the campus received rent arrears of Kshs. 1,619,550 which was not posted in the ledger.

Management Response:

224. The College initiated internal disciplinary process against the officers concerned and forwarded the matter to directorate of criminal investigations for further investigation. The case is still been handled by the investigation agency. Some of the aaffected students paid the amounts owed while the rest are awaiting the conclusion of the case being handled by the agency for both outstanding tuition and rent arrears.

225. The management has further reiterated the policy on payment to the designated accounts only.

226. **Committee observation**

i) Some of the affected students have since paid the full college fees and internal disciplinary process initiated against the officers concerned and the matter forwarded to Directorate of Criminal investigations for further investigation. However, the evidence adduced on recovery of Kshs. 7,453,021 had not been verified and the status report on the investigation by DCI was not provided.

227. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Accounting Officer should submit the evidence on recovery and action taken against the students to the Auditor-General for verification and report to the National Assembly.

2.3 Uncleared Write-off

228. As previously reported an amount of Kshs. 21,831,155 due from Kenyatta National Hospital had been recommended for write-off by the Board in February,2007 but appears in the college books since approvals from Ministry of Health and National Treasury have not been obtained.

229. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs. 763,891,464 as at 30 June, 2021 could not be confirmed.

Management Response

230. We concur that included in the Non exchange transaction receivable is an amount 21,831,115 relating to Kenyatta National Hospital that has been outstanding for a long period. The Board of Management recommended the write-off of these debts and the recommendations have been forwarded to Parent Ministry for approval. As of now the college is awaiting necessary

National Treasury approval to write off this un-recoverable debt. The college is still following up the matter with parent Ministry.

231. **Committee Observations**

i) The Committee observed that in the PIC 23rd Report; the KMTC Board of management had recommended write off for the amounts of Kshs.21,831,155 s due from Kenyatta National Hospital. However, approval in this respect had not been obtained from the parent Ministry.

ii) The Committee observed that their previous observations and recommendations had not been acted upon.

232. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the Cabinet Secretaries-National Treasury and the Ministry of Health and Board-Kenya Medical Training College to fast-track resolution of the matters raised in the audit query and the observations of this Committee and pursue write-off of the amount in accordance with regulation 157 of the PFM (National Government) Regulations, 2015. The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

2.0 Receivables from Exchange Transactions

3. Long Outstanding Receivables from Non-Exchange Transactions

233. The statement of financial position reflects receivables from non-exchange transactions of Kshs. 387,528,843 as disclosed in Note 34 to the financial statements. Included in the amount is Kshs. 19,812,180 relating to outstanding Grant from the Ministry of Health dating back to financial year 1995/1996 whose recoverability is doubtful.

234. In the circumstances, the accuracy, completeness and recoverability of receivables from non-exchange transactions of Kshs. 19,812,180 as at 30 June, 2021 could not be confirmed.

Management Response:

235. We concur that included in the Non exchange transaction receivable is an amount Ksh. 19,812,180 relating to Ministry of Health that has been outstanding since 1996/1997.

236. The Board of Management recommended the write-off of these debts and the recommendations have since been forwarded to parent ministry for approval. As of now the college is awaiting necessary National Treasury approval to write off this un-recoverable debt. The college is still following up the matter with the parent ministry.

237. **Committee Observations**

i) The Committee observed that in the PIC 23rd Report; the KMTC Board of management had recommended write off for the amounts of Kshs 19,812,181 due from the Ministry of Medical Services. However, approval in this respect had not been obtained from the parent Ministry.

ii) The Committee observed that their previous observations and recommendations had not been acted upon.

238. **Committee recommendations**

i) Within three (3) months upon adoption of this report, the Cabinet Secretaries-National Treasury and the Ministry of Health should fast-track resolution of the matters raised in the audit query and the observations of this Committee.

ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

4. Property Plant and Equipment

4.1 Outdated Value of Assets

239. The Committee heard that, included under property, plant and equipment balance is the cost value of land of Kshs. 1,165,920,000 and buildings of Kshs.2,957,258,469. However, the cost values are based on a valuation of 2005 which is sixteen (16) years ago. In addition, the college undertook valuation of college assets in all campuses for book keeping and insurance purposes at a contract sum of Kshs. 17,556,200. The valuation report handed over to the Management in April, 2021, has not been deliberated and adopted by the Board.

Management Response

240. The management informed the Committee that, various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.

241. Since then, the KMTC management has made tremendous progress in processing of the title deeds of various campuses. The management can confirm that valuation of land has since been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.

242. **Committee Observations**

i) The then Accounting Officer, Kenya Medical Training College did not comply with the provisions of International Public Sector Accounting Standards (IPSAS) which prescribe for periodic valuation and disclosure of fair values in the financial statements.

ii) The then Accounting Officer did not provide the valuation report for over sixteen (16) years an indication that the Colleges' land may be grossly undervalued as at 30th June, 2021.

243. **Committee Recommendations**

i) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

ii) Within three months upon adoption of this report, the Accounting Officer should submit a copy of duly signed valuation report to the Auditor – General for verification and reporting in the subsequent audit cycle. Failure to which displinary measures is taken against the Accounting Officer in accordance with section 74 of the PFM Act, 2012.

4.2 Lack of Land Ownership Documents

244. The Committee heard that, as previously reported, property, plant and equipment balance of Kshs. 1,165,920,000 includes eighteen (18) parcels of land at the Headquarters and constituent colleges with a total acreage of 241,731 acres valued at Kshs. 333,385,000 and whose title documents were not provided for audit verification.

Management Response:

245. The management informed the Committee that, the various parcels of land at constituent campuses have their titles being processed and they are at various stages and others have been completed.
246. This was largely contributed by the disagreements between the college and the hospitals where the campuses are located due to lack of ownership documentation particularly title deeds.
247. Since then, the KMTC management has made tremendous progress in processing of the title deeds of various campuses. The management can confirm that valuation of land has since been expedited and the same has been adopted by the Board of Directors. The report is available for audit and verification.
248. The current status of acquisition of ownership documents is as follows:

No.	Location of Parcel of Land	Size (Acres)	Cost Kshs.	Current Status
1	Nakuru	16.82	32,730,000	The process of acquisition of title is ongoing. Meeting with the hospital management was done to agree on challenges that initially reported.
2	Mombasa	4.42	19,800,000	PDP approved and allotment letter issued
3	Homabay	9.12	14,750,000	Survey completed and deed plan obtained. PDP issued and gazetted. The Surveyor is fast tracking the title acquisition.
4	Garissa	16.83	5,845,000	Campus has two parcels of land.PDP obtained. The Surveyor is fast tracking the title acquisition.

5	Embu	8.471	13,600,000	PDP obtained. The Surveyor is fast tracking the acquisition of Lease and Letter of allotment pending.
6	Kisumu	21.5	41,450,000	Survey works done. Deed plan obtained Management is working to resolve dispute raised over the land.
7	Murang'a	4	8,710,000	Letter of allotment issued. Deed plans obtained. PDP obtained and gazetted. The Surveyor is fast tracking the acquisition of title deed.
8	Siaya	11.29	6,800,000	Survey works done. Beacons established and deed plans obtained. PDP is available. Letter of allotment was obtained. The Surveyor is fast tracking the acquisition of title deed
9	Lodwar	40.11	11,500,000	Survey works done and PDP obtained. The Surveyor is fast tracking the title acquisition.
10	Loitokitok	3	2,550,000	PDP NO. KAJ/317/97/2 done and completed and the College is awaiting allotment letter to fast-track title acquisition.
11	Kitui	20	20,000,000	One title deed obtained for kitui municipality. Transfer for Mutomo title deed pending
12	Kabarnet	9.25	5,600,000	Part development plan available. The three land parcels, Kabarnet Municipality/646-648 contained in the approved survey plan FR No. 523/90 have their leases being finalized at the land office in Arthi House Nairobi
13	Kilifi	4.34	9,600,000	The boundary beacons have been placed. Survey file completed & Part development plans available.

14	Eldoret	21.32	43,250,000	The subdivision process completed. The College is engaging the MTRH Management in solving the challenged raised for title acquisition process to be completed.
15	Msambweni	19.76	6,200,000	The perimeter survey of the KMTC land Parcel given as Kwale/Itumbi/66 is done. The Surveyor is fast tracking the title acquisition.
16	Karuri	5	6,000,000	The process of title acquisition is ongoing.
17	Mathare	1.5	22,500,000	Part Development plan available. The process of separating the campus title from the Hospital title is ongoing.
18	Karen	25	62,500,000	The Title deed is in the name of Karen Bliven -Kenya national Museum. The Surveyor is fast tracking the subdivision of the land.
	Total	**241.731**	**333,385,000**	

249. **Committee observation**

Eighteen (18) parcels of land located at the headquarters and constituent colleges valued at Ksh.333,385,000 but whose title documents were not availed for audit review.

250. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officers should liaise with the Cabinet Secretaries-Ministry of Lands and Ministry of Health and the National Land Commission to ensure that they secure ownership documents for all the colleges' land and report back to the National Assembly.

ii) The Accounting Officer, Kenya Medical Training College should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

4.3 Motor Vehicles and Motorcycles without Ownership Documents 2020/2021

251. The Committee heard that, the property, plant and equipment schedule at Note 36 to the financial statements reflects motor vehicle not book value of Kshs. 218,787,719. The

management provided a list of one hundred and thirty – two (132) motor vehicles and three (3) motor cycles owned by the college. However, log books of thirty-one (31) motor vehicles and two (2) motor cycles were not provided for audit review. In addition, a vehicle belonging to one of the campus with a cost of Kshs. 4,900,000 that was involved in an accident and written off has not been expunged from the books of accounts.

252. In the circumstances, the accuracy, completeness and ownership of property, plant and equipment of Kshs. 7,643,095,420 as at 30 June, 2021 could not be confirmed.

Management Response

253. The management informed the Committee motor vehicles in question are all Government of Kenya (GK) registered. The vehicles were purchased by the Ministry of Health and donated to KMTC for use.

254. The College has written to the Principal Secretary, Ministry of Health, to release the ownership documents/logbooks to the institution for future reference. The ministry, however provided copies of the logbooks. The management confirms the removal of the motor vehicle from the records.

255. **Committee Observations**

i) The Copies of the logbooks were provided; albeit post audit cycle.

ii) The records of the motor vehicle that was involved in an accident has been expunged from the college books of accounts, however, this has not been verified by the Auditor-General.

256. **Committee recommendations**

i) The Accounting officer should at all times comply with the provisions of Section 68(2) of the Public Finance Management Act of 2012 and section 62(1) (c) by submitting all the required documents for audit within the stipulated timelines.

ii) Within three months upon adoption of this report, the Accounting officer should submit to the Auditor-General and the National Assembly, documentary evidence of compensation paid by the insurance company on the motor vehicle that was involved in an accident that had been expunged from the college books of accounts.

Basis for Conclusion

1. Failure to remit Statutory Deductions

257. The Committee heard that, the statement of financial position reflects employee costs of Kshs. 4,591,103,153 as disclosed in Note 25 to the financial statements. Review of human resource committee minutes meeting of 23rd April, 2021 indicated that National Social Security Fund (NSSF) required the college to pay Kshs. 732,011,937 being penalties on late remittance of deductions relating to the period October, 2007 to June 2020.

258. Failure to remit deductions is contrary to Section 19 (4) of the employment Act, 2007 which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a),(f),(g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be. No explanation was provided for the failure by the Management to remit deductions on time to avoid penalties. Consequently, Management was in breach of the Law.

Management Response

259. The management informed the Committee that, the College was allowed to operate a pension scheme with effect from 1st January, 2002 following the Retirement Benefits Authority's (RBA) registering a contributory Staff Retirement Scheme. All the staff became members of the Scheme and their NSSF contributions were stopped. However, the Minister for Labour, through a Notice to all employers stressed that following the Kenya Gazette Notice No. 159 of 30th October 2009, it is now mandatory for all employers to remit contributions to NSSF.

260. No employer is exempted from the provisions of the NSSF Act on the strength of having an in-house occupational pension scheme. Exemption may only be granted by the Minister for Labour on the recommendations of the NSSF Board of Trustees where an employer operates a universal national scheme that offers benefits comparable to NSSF and that the NSSF is such a scheme.

261. Consequently, the College remitted NSSF contributions for all its staff with effect from 1st April 2011. The outstanding contributions for the period commencing 1/1/2002 to 31st March, 2011 amounting to Kshs. 60 million has been cleared. However, NSSF has since levied Kshs.746million, being penalties on late payment.

262. The management ensures all statutory deductions are remitted once the recurrent grants are received from the exchequer where personal emoluments are paid from. The management confirms that currently all statutory deductions are remitted up to date.

263. **Committee Observations**

i) The College's current statutory deductions are up to date except for the penalties levied by NSSF.

ii) The outstanding contributions for the period commencing 1/1/2002 to 31st March, 2011 amounting to Kshs. 60, 000, 000 has since been settled.

iii) NSSF has levied Kshs. 732,011,937, being penalties on late payment despite settling the Kshs. 60, 000, 000 principal amount due yet the delay was not deliberate. The penalty appears exaggerated.

264. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Cabinet Secretary National Treasury, the Attorney General, the Chief Executive Officer-Kenya Medical Training College and the Managing Trustee National Social Security Fund to fast-track the matter and bring it to logical conclusion.

2. Non-disclosure of Contingent Liability

265. The Committee heard that, the demand by National Social Security Fund (NSSF) of Kshs. 732,011,937 was not disclosed in the financial statement as a contingent liability. This is contrary to paragraph 100 of IPSASA 19, which states that unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and where practicable an estimate of its financial effect, measured under paragraphs 44 – 62.
266. In the circumstances, the College Management was in breach of International Public Sector Accounting Standards disclosure requirements.

Management Response:

267. The management informed the Committee that, the contingent liability has now been disclosed and the management is following up with the National Treasury for Funding and also through the Sector Working Group of the Ministry as a pending bill requiring funding from the sectors allocation.
268. **Committee observation**

The contingent liabilities have now been disclosed in the financial statements and reports.

269. **Committee Recommendation**

The Auditor-General should review the disclosure of the contingent liability and report any deviations in the subsequent audit cycle.

3. Opening of New Constituent Colleges without Approval

270. The Committee heard that, as previously reported, the college opened twenty two (22) new constituent colleges during the years 2013/2014, 2014/2015, 2015/2016 and 2016/2017, contrary to Part 4.0 of Expansion and Policy Guidelines Section 1 and 3 which states that new infrastructure should only be developed after concept paper and proposal in compliant with the respective Kenya Medical Training College strategic plan are prepared and approved, and source of financing identified.
271. These colleges were not budgeted for in the years they were established and the total expenditure of Kshs.180,997,555 incurred on the same was not included in the annual estimates for the respective years. This is contrary to Section 12 of the State Corporations Act, CAP 446 (Revised 2015) which states that no Corporation shall without the prior approval in writing of the Minister and The Treasury incur any expenditure for which provision has not been made in annual estimates.
272. No reason has been provided for failure to comply with the expansion Policy and the State Corporations Act, CAP 446 (Revised 2015)

Management Response:

273. The management informed the Committee that, opening of campuses has been achieved through collaboration with county governments and NG CDF. These partnerships provide support by construction of the infrastructure required for the campuses like classrooms, administration blocks, computer labs and hostels among their infrastructure requirements. In addition, counties second some of their staff as lecturers.

274. This has enabled the College to open all the new campuses in 2013/2014, 2014/2015, 2015/2016 & 2016/2017 financial years even though some were not provided for in the College's annual budget estimates as the expenditure was met by the County Governments of CDF as the case may be. The matter was settled by the parliament investment committee in 2019. Opening of new campuses and expansion of programs is guided by the KMTC Expansion policy.

275. **Committee observation**

The College opened the new campuses through the collaborations with the county governments and NG-CDF this provided the infrastructure required like classrooms, administration blocks computer labs and hostels among other requirements.

276. **Committee Recommendations**

The Accounting Officer Kenya Medical Training College should at all times adhere to the college expansion policy guidelines, as required in the opening of new campuses.

4. Quality of Training

277. The Committee heard that, as previously reported, the Kenya Medical Training College had Seventy-one (71) campuses spread across the Country with a student population of thirty-four thousand nine hundred and eighteen (34,918) and total number of lecturers including principals, dean of students and head of departments to lecture student ratio of 1:32 which is below the International Standards on Quality Training of Health Workers which places the lecturer student ratio during classroom teaching 1:10 resulting to a shortfall of about two thousand four hundred and eleven (2,411) lecturer for the college to attain quality training level. It is not clear the compliance strategies being put in place by the Management to bridge the gap between the current lecturer students' ratio and the recommended optimum ratio.

Management Response:

278. Kenya Medical Training College has employed the following strategies to bridge the gap in the student lecturer ratio:

- Collaboration with Ministry of Health and Counties to second faculty staff.
- Utilization of ICT e.g KMTC e-learning platform to deliver content to students.
- Contracting of part time lecturers.

- Negotiating with regulatory bodies to progressively improve and bridge the lecturer student ratios initially from a baseline 1.20.
- Requesting for additional GOK funding for recruitment of staff to address the shortage.

279. **Committee Observations**

i) The College has collaborated with the Ministry of Health and the Counties to second faculty staff in order to bridge the student lecturer ratio.

ii) The Kenya Medical Training College has embraced the utilization of ICT and E-learning platforms to deliver content to students in order to address the students/lecturer ratio.

280. **Committee Recommendations**

The Board of Kenya Medical Training College should employ more lectures to comply with the International Standards on Quality Training of Health Workers.

<u>5. Project Verification Status</u>

281. The Committee heard that, the statement of financial position reflects property, plant and equipment balance of Kshs. 7,643,095,420 as disclosed in Note 36 to the financial statements which includes a balance of Kshs. 1,327,477,917 in respect to work in progress. Included in the balance is a total amount of Kshs.189,162,482 paid for seven (7) projects which had stalled at different levels of completion and the contractors were not on site as revealed by an audit verification done in February, 2022.

282. Consequently, value for money from the expenditure of Kshs. 189,162,482 on the seven (7) sampled projects for the year ended 30 June, 2021 could not be confirmed.

Management response

283. The management informed the Committee that, the projects status are shown below;

S/No	PROJECT	CURRENT STATUS
1	Construction of Tuition and Laboratory Building at Kapkatet Campus	Completed and handed over. (Annex 17)
2	Proposed Completion of Tuition Block Eldoret Campus	The project stopped by NCA due to licensing challenges but the matter is being resolved
3	Proposed Construction of Classrooms and Administration Block for Tana River Campus	Project completed (Annex 13)

4	Proposed Construction of Tuition Block and Multipurpose Hall for Msambweni Campus	The contract terminated and is being retendered.
5	Conversion of Mtwapa Health Centre to a Rural Health Training Facility	Project handed over (Annex 14)
6	Proposed Construction of Hostel and Part of Administration Block at Taita Taveta Campus	The contract is under NG. CDF However KMTC is not able to complete its part due to the dispute between the contractor and NG-CDF which has not been resolved
7	Nyamira campus hostels	Completed and handed over (Annex 18)

284. **Committee observations**

i) Kenya Medical Training College paid Kshs.189,162,482 for seven (7) projects which had stalled at different levels of completion and the contractors were not on site as revealed by an audit verification done in February, 2022. Out of the seven (7) projects only four (4) have been completed and handed over.

ii) The proposed Completion of Tuition Block in Eldoret Campus has been stopped by NCA due to licensing challenges.

iii) The proposed Construction of Tuition Block and Multipurpose Hall for Msambweni Campus, the contract has been terminated and is being retendered.

iv) The proposed construction of Hostel and Part of Administration Block at Taita Taveta Campus, the contract is under NG. CDF and KMTC is not able to complete its part due to the dispute between the contractor and NG-CDF which has not been resolved.

285. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officer-KMTC, the Cabinet Secretaries-National Treasury and the Ministry of Health should expedite the completion of the stalled projects to achieve value for money.

ii) Within three (3) months upon adoption of this report, the NG-CDF Board and Board -KMTC should resolve the dispute between the contractor and NG-CDF on the proposed construction of Hostel and Part of Administration Block at Taita Taveta Campus.

Basis for Conclusion

1. Lack of a Fixed Assets Register

286. The Committee heard that, the statement of financial position reflects property, plant and equipment of Kshs. 7,643,095,420 as disclosed in Note 36 to the financial statements. The college management did not provide an asset register detailing dates of acquisition, cost of acquisition, depreciation rates, location, for parcels of land and each building the terms on which it is held, with reference to the conveyance, address, area, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts.

287. In the circumstances, the College management may not be able to track the value and status of every fixed asset thus putting them at risk of loss.

Management response:

288. The management informed the Committee that, the master asset register and individual asset registers for campuses are available for review in accordance with the National Treasury guidelines. The college is in the final stages of undertaking asset tagging to assign serial numbers on every asset in its possession to be uploaded into assets register in the ERPs Asset Management module now operationalized. This will ensure that the asset register is always updated appropriately once any asset is acquired or disposed.

289. **Committee Observation**

The college has developed a master asset register and individual register for campuses and this registers are to be uploaded to the ERP to ensure continuous update on asset acquisition and disposal.

290. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Accounting Officer should comply with the provisions of Regulation 143 (1) of Public Finance Management (National Government) Regulations, 2015 and submit the assets and liabilities register to the National Treasury as required by the National Treasury Circular No.23/20 dated 14 October, 2020. The fixed asset register should be submitted to the Auditor-General for verification and reporting in the subsequent audit.

2. Lack of a Rental Policy

291. The Committee heard that, the statement of financial performance reflects rental revenue from facilities and equipment of Kshs.31,795,911 as disclosed in Note 23 to the financial statements. However, the college did not have a rent policy to guide on rentals application of staff houses, selection methods, allocations and effective dates for rent deductions.

Management response

292. The management informed the Committee that, the college did not have a rent policy to guide on rentals especially application of staff houses, selection methods, allocation and effective dates for rent deductions.

293. This is to confirm that the college has developed a housing policy which has addressed all the above issues. The policy is awaiting the Board of Directors approval then it shall be implemented immediately.

294. **Committee Observation**

The college has been operating without a housing policy. However, the developed policy is awaiting the approval of the Board of Directors then it shall be implemented immediately.

295. **Committee Recommendation**

Within three (3) months upon adoption of this report, the Accounting officer-KMTC should submit to the Auditor-General and the National Assembly, the rent policy approved by the Board to guide on rentals application of staff houses, selection methods, allocations and effective dates for rent deductions. The Auditor-General shall review the approved rent policy and assess compliance with its application on rentals application of staff houses, selection methods, allocations and effective dates for rent deductions and report in the subsequent audit.

3. Lack of Lease Agreement

296. The Committee heard that, the statement of financial position reflects receivables from exchange transactions balance of Kshs. 763,891,464 as disclosed in Note 33 to the financial statements. This amount includes Kshs. 75,869,440 in respect of accumulated rent arrears due from the University of Nairobi for Ninety-six (96) rooms occupied by the University's medical students. However, no lease agreement between the college and the University was provided for audit verification.

297. In the absence of a lease agreement, the amounts to be collected, due dates and default measures could not be established.

Management response

298. The Committee was informed that, the management is in the process of renegotiating the lease agreement which if agreed with the University of Nairobi and Kenya Medical Training College (KMTC) will solve this long-standing issue. The latest correspondence being REF AG/CONF/21/53/21 Vol. 1 dated 26th June 2023 from the office of the attorney general.

299. The amount chargeable per year is 96 rooms at KES 80 per day for 365 days per year. (KES 2,803,200.00)

300. **Committee Observation**

The college has been operating without a lease agreement. However the management has commenced a process to renegotiate the lease agreement with the University of Nairobi in a bid to resolve the issue.

301. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Cabinet Secretaries-National Treasury, the Ministry of Health and the Ministry of Education to fast-track resolution of the matters raised in the audit query and the observations of this Committee.

ii) The Committee on Implementation should follow up on the implementation of the Public Investments Committee recommendations pursuant to its mandate.

2.3 KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL (KUTRRH)

FINANCIAL YEAR 2019/2020

Mr. Ahmed Dagane, the CEO/Managing Director Kenyatta University Teaching, Referral and Research Hospital (KUTRRH) was accompanied by Mr. Edward Maunda (Chief Finance Officer) Mr. Joseph Letting (Senior Human Resource Officer) and Mr. Martin Githinji (Finance) appeared before the committee to adduce evidence on the Audited accounts of the Kenyatta University Teaching Referral Hospital (KUTRRH) for the Financial year 2019/2020.

1.0 Property, Plant and Equipment FY 2019/2020

302. The Committee heard that, the statement of financial position reflects property, plant, and equipment balance of Kshs.7,372,035,036. The balance includes land and buildings balance of Ksh.5,320,106,243. However, the balance excludes the cost of land on which the hospital is built. Information available indicates that the hospital is situated on 100 acres of land under the ownership of Kenyatta University. Management did not explain measures taken to have the land valued and ownership transferred to the hospital.
303. Under the circumstances, the accuracy and validity of land and buildings of Ksh.5,320,106,243 as of 30th June, 2020 could not be confirmed.

Management Response

304. The management informed the Committee that, the Hospital sits on 100 acres of land under the ownership of Kenyatta University. KUTRRH Board wrote to the Head of Public Service through a letter referenced KUTRRH/CBD/F9/VOL.1/378 dated 21st October 2021 requesting for a title deed for the Hospital's land.
305. There have been numerous efforts by the Management with this regard and the Hospital is still waiting for the Title deed to be issued as per a public notice 42/31/2022/01 in September 2022 of the completion of local physical and land use development plan from the Ministry of Lands and Physical Planning and a Cabinet memo dated 30th August 2022 as per the adduced evidence.
306. **Committee observations**
   i) The hospital does not possess title deed and ownership documents for the 100 acres of land it sits on.
   ii) The management of the hospital has made efforts to acquire ownership documents. However, the title deed has not been issued in the name of KUTRRH.
   iii) The land has not been valued by a competent and registered valuer and therefore the value of Ksh.5,320,106,243 reflected in the financial statement as of 30th June, 2020 could not be confirmed.
   iv) The KUTRRH Board had written to the Head of Public Service on 21st October 2021 requesting for a title deed for the Hospital's land. However, the hospital has not acquired

the title for the land it sits on despite being established as a state corporation through legal notice No. 4 of 2019.

307. **Committee Recommendations**

i) Within three (3) upon adoption of this report, the Accounting Officers should liaise with the Chief of Staff and Head of Public Service, Cabinet Secretary Ministry of Lands, Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the colleges' land and report back to the National Assembly.

ii) The Accounting Officer, KUTRRH should ensure that the entity's assets are valued periodically and actual values included in the financial statements. The fair value of land should be disclosed in the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

2.0 Unauthorized Board Expenses

308. The Committee heard that, the statement of financial performance reflected Board expenses of Ksh. 12,947,790, against an approved budget of Ksh. 4,800,000 resulting in an over expenditure of Ksh.8,147,790. However, the National Treasury approval for the over-expenditure of Ksh.8, 147,790 was not provided for audit verification.

309. Consequently, the propriety and regularity in the expenditure of Ksh.8, 147,790 could not be ascertained.

Management Response

310. The management informed the Committee that, the budget of Kshs. 4,800,000 for Board Expenses was an estimate. This was the first budget for operationalizing the hospital. There was no previous financial information to use as baseline.

The Board of Directors had to meet regularly to set up operations and recruit the staff required.

311. The gazettement of KUTRRH as a Covid-19 Center in March 2020 also increased the Board's number of meetings as they had to hold crisis meetings to ensure the Hospital was adequately prepared to fight the pandemic.

312. This has since been adjusted in the financial report to reflect the actual performance within the approved budget reallocations.

313. **Committee observations**

i) The Accounting officer incurred over-expenditure of Ksh.8, 147,790 and thus breached Section 12 of the State Corporation Act, CAP 446 which requires that, no state corporation shall, without the prior approval in writing of the Cabinet Secretary National Treasury, incur any expenditure for which provision has not been made in an annual estimate.

314. **Committee Recommendations**

The Committee reprimands the then Accounting Officer for violating Section 12 of the State Corporations Act, CAP 446.

Within three months upon adoption of this report, the Director Inspectorate of state corporations should surcharge (with interest at the prevailing CBK rates) the then accounting officer and the then Board of Directors for the irregular expenditure and provide documentary evidence on the recovery/surcharge.

3. Irregular Employee Costs

316. The Committee heard that, the statement of financial performance reflects employee cost balance of Ksh.514, 160,686. The balance includes salaries and wages amount of Ksh.300, 302,579.
317. Review of records revealed the balance includes payment of medical allowances commonly referred to as locum to medical staff amounting to Ksh.30, 844,552. However, the rates applied for the allowances were approved in a meeting held on 21 January,2020 which had no quorum as only two (2) Board members were present against the provision of five members of the board as stipulated under Section 6 (6) of the State Corporations Act, CAP 446.
318. Consequently, the propriety and regularity of the expenditure of Ksh.30, 844,552 could not be ascertained.

Management Response

319. The management informed the Committee that, the meeting in question had an attendance of three members: two board members and the Ag. CEO at the time who was a member of that committee.
320. According to Mwongozo, (The Code of Governance for State Corporations) Section E Part 4, "The quorum for Board committee meetings will not be less than three (3) members." Thus, the meeting was in accordance with the law as three members were present as adduced in the evidence.
321. **Committee observations**
   i) The Accounting Officer breached Section 8 the State Corporations CAP 446 for the irregular payment of medical allowance referred as locum amounting to Ksh.30,844,552 to medical staff without the approval of the board.
   ii) The Salaries and Remuneration Commission has the authority as outlined in the Constitution to approve salaries and allowances of officers working in government institutions. However, there was no evidence provided to prove that the locum had been approved by SRC after KUTRRH Board approval.

322. **Committee Recommendations**
   i) The Committee reprimands the then Accounting Officer for violating Section 8 of the State Corporations Act, CAP 446 which provides that the quorum for conduct of business at a meeting of a board shall be two thirds of the total number of members of the board.
   ii) The Committee reprimands the then Accounting Officer for failing to adhere to Article 230 (4)(a) of the Constitution.

iii) Within three months upon the adoption of this report, the EACC should investigate the conduct of the then Accounting Officer and the then Board of Directors on the payment of locum amounting to Ksh.30, 844,552 to ascertain any improprieties. Should any officer be found culpable, the Director of Public Prosecutions to take the necessary legal action.

4. Budgetary Control and Performance

323. The Committee heard that, the statement of comparison of budget and actual amounts reflected the final receipts budget and actual on comparable basis of Kshs.2,214,471,150 and Ksh 2,137,087,398 respectively, resulting to an under-funding of ksh 77,383,752 or 4 % of the budget.
324. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Ksh 2,613,670,709 and kshs 1,464,933,908 respectively resulting to an under-expenditure of Ksh 1,148,736,801 or 44% of the budget.
325. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

326. The management informed the Committee that in the underfunding of Budget KUTRRH had projected to raise Kshs 288M as AIA for the Financial Year 2019/2020. This was purely an estimate since there was no baseline to Peg the budget on. The Hospital was able to raise Kshs. 210.6M, an underperformance of Kshs. 77.4M. The projection of Kshs. 288M was meant for the whole financial year but KUTRRH started operations in November 2019 instead of July 2019 as planned hence being in operation for only eight (8) months.
327. The hospital has since grown tremendously over the last two financial years and has managed to achieve the subsequent amount AIA targets.
328. **Committee observations**
    i) The under-funding of ksh 77,383,752 or 4 % of the budget and under-expenditure of Ksh 1,148,736,801 or 44% of the budget may have affected the planned activities and might have impacted negatively on the service delivery to the public.
    ii) The Board relied on unrealistic projections of revenue and expenditure leading to underperformance of the budget.

329. **Committee Recommendation**
    i) The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules.

5. Non-submission of Assets and Liabilities Register

330. The Committee heard that, the management did not provide evidence that it had submitted to The National Treasury, the assets and liabilities register for the year ended 30 June 2020.This

was in contravention of the National Treasury Circular No.5/2020 of 25 February, 2020 that required the Accounting Officers of ministries, departments and agencies to prepare and submit the assets and liabilities registers to the National Treasury by 30th May 2020.In addition, the Circular No.23/20 dated 14 October 2020 issued a standardized reporting to the National Treasury and required that the assets and liabilities registers as at 30 June,2020 be submitted to the National Treasury not later than 31st October 2020.

In the circumstances, Management was therefore in breach of the directive.

Management Response:

331. The management informed the Committee that, the management acknowledges that there was a gap here as reported by OAG. The Hospital was in its first year of operations and was in the process of developing the assets register at the time of the audit.
332. The Management has since developed the Assets Register in line with the template from the National Treasury with the current updated register being submitted to the National Treasury on 14th April 2023 in line with regulations as per the adduced evidence.
333. **Committee Observations**
    i) The then Accounting Officer, KUTRRH was in breach of Regulation 143 (1) of Public Finance Management (National Government) Regulations, 2015 which requires 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.
    ii) Further, the Accounting Officer failed to submit the assets and liabilities register for the year ended 30 June, 2020 to the National Treasury as required by the National Treasury Circular No.23/20 dated 14th October, 2020. This could be a conspiracy by the KUTRRH officers to conceal the Assets of the hospital for their own interest.
334. **Committee Recommendations**
    i) Within three (3) months upon adoption of this report, the Accounting Officer should comply with the provisions of Regulation 143 (1) of Public Finance Management (National Government) Regulations, 2015 and submit the assets and liabilities register to the National Treasury as required by the National Treasury Circular No.23/20 dated 14 October, 2020. The updated fixed asset register should be submitted to the National assembly Auditor-General for verification and reporting in the subsequent audit cycle, failure to which disciplinary action should be taken against the accounting officer in accordance with Section 74 of the PFM Act, 2012.

<u>6. Non-Compliance with the National Cohesion and Integration Act, 2008</u>

335. The Committee heard that, the Hospital had six hundred and eight (608) employees out of whom two hundred and eighty -five (285) or 46 % of the total number were members of the same community. This was contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act,2008 which states that "all public offices shall seek to represent the diversity

of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same community"

336. However, Management explained that the imbalance was partly caused when the Hospital was declared a National COVID-19 Treatment and Isolation Centre, upon which the Board was required to quickly recruit, train and deploy staff to the treatment and isolation areas and that it was not possible to balance the ethnicity distribution of staff during the first year of operations.

Consequently, Management was in breach of the law.

Management Response

337. The management informed the Committee that, the management has been handling this situation through various approaches;
338. As of 20th May 2023, KUTRRH had advertised, recruited, selected, and appointed a total of 1,705 (One Thousand Seven Hundred and Five) employees who are still in active employment as of the date herein mentioned.
339. Out of the forty-five (45) ethnic groups in Kenya, the Hospital had managed to recruit from twenty-seven (27) ethnic groups to have a Kenyan representation in the Hospital.
340. The Hospital continues to analyze the data on representation on a monthly basis and to monitor the effectiveness of the measures being implemented towards a progressive compliance in the areas of under-representation without compromising on merit requirements.
341. There has also been a progressive improvement in the number of staff hired per community from the status report of 31st December 2022 as compared to current data as of 20th May 2023 with a significant increase of staff in communities where representation was way below-required representation levels as per the Kenya Population and Housing Census Report of 2019.
342. To encourage more applicants from various communities to apply, and to avoid skewed representation, the Hospital's job adverts are placed in 'my Gov' pull out in daily newspapers with a wide circulation. Encouragement for candidates from diverse backgrounds to apply is deliberately included in the job adverts to encourage diversity in the applications and there is an adduced evidence.

343. **Committee observation**

The Accounting Officer breached Section 7 (2) of the National Cohesion and Integration Act, 2008 which requires that that no public institution shall have more than one third of its staff establishment from the same community.

344. **Committee Recommendations**

i) The Committee reprimands the then Accounting Officer for violating Section 7 (2) of the National Cohesion and Integration Act 2008.

ii) Within three months upon adoption of this report, the Accounting Officer should submit to the National assembly and Auditor-General a report on how the hospital has progressively, over the years, adhered to the Section 7 (2) of the National Cohesion and Integration Act 2008. The Auditor-General shall review the report and report the status in the subsequent audit cycle.

iii) In future recruitments, the Board should at all times adhere to the requirement of Section 7 (2) of the National Cohesion and Integration Act, 2008 which requires that that no public institution shall have more than one third of its staff establishment from the same community.

iv) The Committee on National Cohesion and Equal Opportunity should initiate amendments to the National Cohesion and Integration Act, 2008 to provide a legal framework to address the challenges on the implementation of Section 7 (2) of the National Cohesion and Integration Act, 2008 and come up with a formula that is realistic and achievable.

7. Lack of Substantive Chief Executive Officer (CEO)

345. The Committee heard that, the Hospital, despite being categorized as a Level 6 hospital has operated without a substantive Chief Executive Officer since 1st July, 2019. Information provided indicated that the Board placed an advert on 4th February, 2020 inviting applications for the position which closed on 21st February 2020. An Ad-hoc Committee was constituted by the Public Service Commission (PSC) which submitted names of candidates that were to be invited for interview on 10th August, 2020. However, no interviews had been conducted by the time of the audit in April 2021 and the position remained vacant.

In the circumstances, the effectiveness of day-to-day management of the Hospital.

Management Response

346. The management informed the Committee that, KUTRRH, in its first years of operations, had Acting CEOs who had control of the day-to-day management of the Hospital. Therefore, the lack of a substantive CEO did not affect the effective and efficient running of the Hospital.

347. **Committee observations**

i) The Hospital despite being categorized as Level VI hospital operated without a substantive CEO for over two (2) years.

ii) An officer in an acting capacity can be replaced any time at the discretion of the appointing authority and therefore may not act with an independent mind, adversely affecting his/her morale and productivity.

348. **Committee recommendations**

i) The appointing authority should promptly appoint substantive CEO of such a position falling vacant in accordance with Circular Ref. OP/CAB.9/1A dated 11th March 2020 from the Head of the Public Service on management of state corporations.

ii) Within three months upon adoption of this report, the Inspectorate of State Corporations should carry out an audit on all state corporations and report on the status of governance with respect to entities operating without a properly constituted Board, those with management in Acting capacity or seconded from the line ministries and those without approved HR instruments. Further, no entity should be allowed to make any financial commitment where its management has been acting longer for a period than the stipulated.

iii) Within three (3) months upon adoption of this report, the National Assembly should initiate amendments of the Employment Act to provide that a public officer should not serve in an acting capacity for more than six (6) months. According to the Public Service Human Resources Policy, an officer in acting capacity cannot be paid acting allowance for a period beyond six (6) months which may be demoralizing.

8. Lack of an Enterprise-Wide Risk Management Process

349. The Committee heard that, the review of the Hospital's Information Communication Technologies, ICT platforms revealed that there is no well-documented enterprise-wide risk management processes and polices to effectively guide the enterprises risk management processes. This would have ensured that the hospital develops effective risk management strategies for fraud prevention mechanism as well as a system of risk management that builds robust business operations.

350. Consequently, in the absence of clearly documented risk management strategies, it is not possible to ascertain the hospital's level of preparedness in dealing with risks associated with its operations.

Management Response:

351. The management informed the Committee that, the management acknowledges that there was a gap as it was still in its formative period and was working on putting systems in place. The Hospital went ahead and appointed a Risk Management Committee on 11th August 2021. Subsequently the committee has developed a risk management policy that clearly outlines the possible hospital risks and the ways to mitigate those risks as adduced in the evidence provided.

352. **Committee observation**

The then Accounting Officer breached of Section 165 (1) (a) (b) of the Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention and a system of risk management and internal control that builds robust business operations.

353. **Committee Recommendation**

Within three (3) months upon adoption of this report, the KUTRRH Accounting Officer expedites the development of risk management processes and polices to effectively guide the hospital in risk management. Failure to develop a well-documented enterprise-wide risk management process, the Accounting officer stands reprimanded.

9. Weakness in Information Communication Technology (ICT) Environment

354. The Committee heard that, the Hospital did not provide evidence of existence of an ICT strategic committee, approved IT security policy, ICT strategic plan that supports business requirements and ensures that ICT spending remains within the approved IT strategic plan and to ensure data confidentiality, integrity, and availability. In the circumstances the existence of effective internal controls and governance in ICT could not be confirmed.

Management Response:

355. The management informed the Committee that, the management had not complied with the ICT requirements enumerated again because the operationalization of the Hospital was still ongoing.
356. The Hospital's ICT committee was eventually appointed on 3rd August 2021 as per the evidence provided. KUTRRH has also implemented an Information Security Management System (ISMS) based on ISO 27001:2013 with all the requisite policies. The Hospital has carried out several audits within the staff to ensure compliance on information security.
357. The ICT strategy is integrated in the ICT policy and procedures manual which was approved on 13th May 2022.

358. **Committee observations**

The Hospital was operating without ICT strategic plan and IT security policy, therefore, the effectiveness of internal controls and governance in ICT could not be confirmed.

359. **Committee Recommendations**

Within three (3) months upon adoption of this report, the Accounting Officer should develop an ICT strategic plan and an ICT policy to guide on internal controls and governance. The copies to be submitted to the National Assembly and the Auditor-General for audit review and reporting within the next audit cycle. Failure to which disciplinary action should be taken by the Principal Secretary - State Department for Medical Services in accordance with the provisions of Section 74 of the PFM Act, 2012.

2.3 CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE AUDITED FINANCIAL STATEMENTS OF KENYA MEDICAL RESEARCH INSTITUTE (KEMRI)

2012/2013

Prof Elijah Songok Ag. Director General accompanied by Mr. Anthony Wachira, Mr. Martin Machira, Ms. Florence Bongei, Ms. Florence Mukatane, Mr. Gabriel Kamau, Ms. Petronilla Geren, Mr. Barnabas Kimaloi , Ms. Nelly Mugo and Mr. Martin Bundi to adduce evidence on the report of the auditor general for the financial years 2012/2013 to 2014/2015.

FINANCIAL YEAR 2012/2013

Property plant and Machinery

1. Land

360. The Committee heard that as previously reported, the property plant and equipment of Kshs. 3,511,435,322 as at 30 June 2013 includes various parcels of land valued at Kshs 227,642,500, situated at KEMRI Headquarters (8.083 ha), Kenyatta National Hospital (1.34 ha), Kilifi (2.705 ha), Kwale (2.023 ha), Mbagathi Road (2.4232 ha) and Taita Taveta (4.047 ha) whose respective title documents were not availed for audit verification.
361. In the absence of title documents, it has not been possible to confirm the ownership status of the parcels of land and that the property, plant and equipment balance of Kshs. 3,511,435,322 as at June 2013 is fairly stated.

Management Response

362. The committee was informed about the current status of the titles for various parcels of land as follows:

i. KEMRI Headquarters (8.083 ha) Duplicate copy available

ii. KEMRI Parcel at Kenyatta National Hospital (1.34 ha), Duplicate copy available -

iii. KEMRI Kilifi parcel (2.705 ha) – Title lost and process of replacement in progress.

iv. KEMRI Kwale parcel (2.023 ha) Duplicate copy available

v. KEMRI Mbagathi road parcel (2.4282 ha)- Title in custody with National Treasury

vi. KEMRI Taita Taveta (4.047 ha) –Original title available

363. **Committee observations**

The matter was considered by the Public Investments Committee in its 19th Report in which the Committee observed the following:

i) The institute failed to avail title documents of the aforementioned parcels of land for audit verification thus making it impossible to confirm the ownership status of the parcels of land in contravention of section 37 of the Public Audit Act, 2003.

ii) Dr. David Koech failed to hand over to the Institute important documents includes Title Deeds for the Corporation's parcels of land.

iii) It is over nine (9) years now and no replacement nor surrender of the title has been realized.

iv) The Accounting Officer provided provisional certificates of title for LR 82774 and LR 78302.

364. **Committee recommendations**

i) Within three months upon adoption of this report, EACC and DCI should investigate how the former CEO, Dr. David Koech failed to hand over the Institute Title Deeds for the Corporation's parcels of land, their custody or who holds them and in whose name. Should any person be found culpable, the Director of Public Prosecutions to take necessary legal action.

ii) Within three months upon adoption of this report, then Accounting Officer- KEMRI should liaise with the Cabinet Secretaries for Ministry of Lands, Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the institute's land and report back to the National Assembly.

iii) The Accounting Officer should ensure that the Institute does not apply public funds to new sites where it does not have ownership documents of the land to be developed.

iv) The National Assembly should enact a law prescribing that all public land ownership documents should centrally held under the custody of the National Treasury for safekeeping.

2. Residential Staff Housing

365. The Committee heard that, as similarly reported in 2011/2012 the property, plant and equipment balance of Kshs.3,511,35,332 as at 30th June 2013 also includes a staff house project valued at Kshs. 476,001,556 located on a 2.4282 area along Mbagathi road –Nairobi and against which a developer had used the titles documents as collateral to borrow funds from the National Bank of Kenya.

366. In an effort to have the documents discharged and as similar reported in 2011/2012 the Government spent a sum of KSHS 280 million in the year 1993 and further amount of KSHS 142 million in 2000 towards settling the developer account with the bank. However, and in spite of the payments totaling KSHS 422 million having been made thus settling the debt in full, the documents had not been discharged as at 30th June 2013.

367. In the circumstances, it has not been possible to ascertain the ownership status of the parcels of land and that the property, plant and equipment balance of Kshs. 3,511,435,332 as at June 2013, is fairly stated.

Management Response

368. The Committee was informed that significant progress has been achieved in regard to the transfer of the title documents for the housing property. The National Bank of Kenya has surrendered the title to the National Treasury. On 27th January, 2016, the National Treasury and KEMRI held a meeting and the National treasury directed KEMRI to seek the exemption of the Cabinet Secretary- Lands to enable the lodging of the 1994 transfer instruments to effect the transfer of the subject property without any further delay.

369. KEMRI has sought the exemption of the Cabinet Secretary-Lands to enable lodging the duly executed and sealed transfer of title instruments dated 1994 to enable transfer of title from Cyperr Enterprises ltd to KEMRI.

370. **Committee Observations**

i) The matter was considered by the Public Investment Committee in its 19th report. However, the matter regarding ownership and custody of the land title deed in which the staff houses are situated is still questionable.

ii) There is no evidence that the National Bank of Kenya has surrendered the title to the National Treasury as alleged by the Accounting Officer.

iii) Despite the National Treasury having made payments totaling Kshs 422 million, in respect of clearing the loan due to the National Bank on behalf of Cyperr Enterprises ltd, the ownership/title was not transferred to KEMRI.

iv) The basis upon which KEMRI purchased land from the developer and before transfer of ownership, KEMRI allowed the same developer to secure a loan from the National Bank of Kenya with the same title is legally questionable. There is no documentary agreement to the effect that KEMRI was to use its acquired land as collateral on behalf of the procured service provider (Cyperr Enterprises Ltd) before transfer of ownership. This implies that the transaction was not effected at an arm's length, public funds were lost, the value for money was not achieved and it could have been a scheme to defraud the public.

371. **Committee Recommendations**

i) Within three months upon adoption of this report, EACC and DCI should investigate the then Accounting Officer - KEMRI, any KEMRI officers involved in the procurement transactions to the land in question, directors of Cyperr Enterprises Ltd, both the then and the current Managing Director - National Bank of Kenya and the then Permanent Secretary National Treasury, officer who authorized the payment of Ksh. 422 million with a view to establishing the culpability to fraud. Should any person be found culpable, the Director of Public Prosecutions to take necessary legal action.

ii) Within three months upon adoption of this report, then Accounting Officer - KEMRI should liaise with the Cabinet Secretaries for Ministry of Lands, Public Works, Housing and Urban Development and Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the institute's land and report back to the National Assembly.

3. Trade and other Receivables

372. The Committee heard that, as reported in 2011/2012 the trade and other receivables balance of KSHS 374,469,494 as at 30th June 2013 is net off an amount Kshs 120,000,000 in respect of a deposit placed with the institute lawyers in the year 2000 while the institute was following up issues related to the stalled residential staff housing project. Although according to information available the lawyers have since refunded to the amount of 119,871,608 and retained as fee a sum of 128,392 the amount of Kshs 120,000,000 is still reflected as provision for bad and doubtful debts.
373. A further review of the statement indicates that the interest accumulated over time on the amount of Kshs 120,000,000 may not have been taken account of during the year.
374. Further the trade and receivables of KSHS 374,469,494 as at 30 June 2013 includes temporary impress amounting to KSHS 7,931,450 which are over one-year-old. In addition, the trade and other receivables balance of Kshs 374,469,494 as at 30 June 2013 also include over remitted statutory deduction of Kshs 913,676 whose collectability is in doubt.
375. In the circumstances, it has not been possible to confirm the validity and accuracy of the trade and other receivables balance of Kshs. 374,469,494 as at 30 June 2013.

Management Responses

376. **The Committee was informed that;**

1. It has since been established that these funds were not received by the Institute. The amount was subsequently written back to the debtors for the period ending June 2007.
2. It is unlikely that debt of Kes. 120,000,000 collectable and a provision of doubtful debt have been provided for in our books. It would therefore not be prudent to accrue any interest receivable on the same.
3. The imprests that were over one year were imprest issue in respect of quarter per-diem to staff who had travelled outside the Country for further studies. The imprests were later retired on returning of the said officers and also recoveries were effected.
4. The staff deductions included in the over remitted statutory and staff deductions of Kshs.913,676 was occasioned by staff recoveries of medical expenses incurred by staff where the debit balance had not been recognized as a debt. The error has since been rectified.

377. **Committee Observations**

i) The matter was considered by the Public Investments Committee in its 19th report. However, no action had been taken to implement the aforementioned PIC recommendations due to the prevailing workload and backlog on the Committee on Implementation which is a concern.

ii) The amount Kshs 120,000,000 was in respect of a deposit placed with the institute lawyers in the year 2000 relating to the stalled residential staff housing project. However, there is no evidence of refund of Kshs.119,871,608 as alleged in the Accounting Officer's submission and the amount may have been lost through fraudulent means.

iii) There is no evidence that imprests of Kshs 7,931,450 which were over one year in respect of quarter per-diem had been recovered in line with Regulation 93(6) of PFM (National Government) Act, 2015.

iv) The unremitted statutory and staff deductions of Kshs.913,676 occasioned by staff recoveries of medical expenses incurred by staff where the debit balance had not been recognized as a debt. Although it was reported that the error had since been rectified, there is no evidence in the subsequent financial statements to that effect.

378. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officer in collaboration with the Attorney-General to initiate recovery of the amount of Kshs 120,000,000 with interest at the applicable CBK rates from the lawyers.

ii) Within three months upon adoption of this report, the Accounting Officer to provide evidence of the alleged recovery of imprest Kshs 7,931,450 in accordance with Regulation 93(6) of PFM (National Government) Act, 2015. The evidence of recovery and correction of errors in the financial statements should be submitted to the National assembly and the auditor General for verification and reporting in the subsequent audit cycle.

iii) Within six (6) months upon adoption of this report, the Committee on Powers and Privileges should consider assessing the capacity and align the mandate of the Committee on Implementation to what it can efficiently handle including segmenting the Committee on Implementation according to sectors due to the prevailing workload and backlog.

FINANCIAL YEAR 2013/2014

Property Plant and Equipment

1. Land

379. The Committee learnt that, as previously reported the property plant and equipment balance of KSHS. 2,820,920,832 as at 30 June 2014 includes various parcels of land valued at Kshs. 145,925,500, situated at Kenyatta National Hospital (1.34 ha), Kilifi (2.705 ha), Mbagathi Road (2.4282 ha) and Taita Taveta (4.047 ha), whose respective title documents were not availed for audit verification.

380. In the absence of title documents, it has not been possible to confirm the ownership status of the parcels of land and that the property, plant and equipment balance of Kshs. 2,820,920,832 as at June 2014 is fairly stated.

Management Response

381. **The Committee was informed that;**

1. The following is the status of the titles for various parcels of land:
2. KEMRI Headquarters (8.083 ha) Duplicate copy available - (Appendix I)
3. KEMRI Parcel at Kenyatta National Hospital (1.34 ha), Duplicate copy available - (AppendixII)
4. KEMRI Kilifi parcel (2.705 ha) – Title lost and process of replacement in progress.
5. KEMRI Kwale parcel (2.023 ha) Duplicate copy available – (AppendixIII)
6. KEMRI Mbagathi road parcel (2.4282 ha)- Title in custody with National Treasury – Appendix V
7. KEMRI Taita Taveta (4.047 ha) –Original title available- Appendix IV

382. **Committee observations**

The matter was considered by the Public Investments Committee in its 19th Report in which the Committee observed the following:

i) The institute failed to avail title documents of the aforementioned parcels of land for audit verification thus making it impossible to confirm the ownership status of the parcels of land in contravention of section 37 of the Public Audit Act, 2003.
ii) Dr. David Koech failed to hand over to the Institute important documents includes Title Deeds for the Corporation's parcels of land.
iii) It is over nine (9) years now and no replacement nor surrender of the title has been realized.
iv) The Accounting Officer provided provisional certificates of title for LR 82774 and LR 78302.

383. **Committee recommendations**

i) Within three months upon adoption of this report, EACC and DCI should investigate how the former CEO, Dr. David Koech failed to hand over the Institute Title Deeds for the Corporation's parcels of land, their custody or who holds them and in whose name. Should any person be found culpable, the Director of Public Prosecutions to take necessary legal action.
ii) Within three months upon adoption of this report, the Accounting Officer- KEMRI should liaise with the Cabinet Secretaries for Ministry of Lands, Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the institute's land and report back to the National Assembly.
iii) The Accounting Officer should ensure that the Institute does not apply public funds to new sites where it does not have ownership documents of the land to be developed.

iv) The National Assembly should enact a law prescribing that all public land ownership documents should centrally held under the custody of the National Treasury for safekeeping.

2. Residential Staff Housing

384. The Committee was informed that, as similarly reported in 2012/2013, the property, plant and equipment balance of KSHS 2,820,920,832 as at 30 June 2014 also include a staff housing project valued at KSHS 476,001,556 located on a 2.4282 ha area along Mbagathi road – Nairobi and against which a developer had used the title documents as collateral to borrow funds from the National Bank of Kenya. In an effort to have the documents discharged the Government spent a sum of KSHS 280 million in the year 1993 and further amount of KSHS 142 million in 2000 towards settling the developer account with the Bank. However, and in spite of payments totalling KSHS 422 million having been made thus settling the debt in full, the documents had not been discharged to KEMRI as at 30th June 2014.

385. In the circumstances, it has not been possible to ascertain the ownership status of the parcel of land and that the property, plant and equipment balance of Kshs. 2,820,920,832 as at 30 June 2014, is fairly stated.

Management Response

386. Significant progress has been achieved in regard to the transfer of the title documents for the housing property. The National Bank of Kenya has surrendered the tittle to the National Treasury. On 27th January, 2016, the National Treasury and KEMRI held a meeting and the National treasury directed KEMRI to seek the exemption of the Cabinet Secretary- Lands to enable the lodging of the 1994 transfer instruments to effect the transfer of the subject property without any further delay. KEMRI has sought the exemption of the Cabinet Secretary- Lands to KEMRI has sought the exemption of the Cabinet Secretary- Lands to enable lodging the duly executed and sealed transfer of title instruments dated 1994 to enable transfer of title from Cyperr Enterprises ltd to KEMRI.

387. **Committee Observations**

i) The matter was considered by the Public Investment Committee in its 19th report. However, the matter regarding ownership and custody of the land title deed in which the staff houses are situated is still questionable.

ii) There is no evidence that the National Bank of Kenya has surrendered the title to the National Treasury as alleged by the Accounting Officer.

iii) Despite the National Treasury having made payments totaling Kshs 422 million, in respect of clearing the loan due to the National Bank on behalf of Cyperr Enterprises ltd, the ownership/title was not transferred to KEMRI.

iv) The basis upon which KEMRI purchased land from the developer and before transfer of ownership, KEMRI allowed the same developer to secure a loan from the National Bank of Kenya with the same title is legally questionable. There is no documentary agreement to the effect that KEMRI was to use its acquired land as collateral on behalf of the procured service provider (Cyperr Enterprises Ltd) before transfer of ownership. This implies that the transaction was not effected at an arm's length, public funds were lost, the value for money was not achieved and it could have been a scheme to defraud the public.

388. **Committee Recommendations**

i) Within three months upon adoption of this report, EACC and DCI should investigate the then Accounting Officer KEMRI, any KEMRI officers involved in the procurement transactions to the land in question, Directors of Cyperr Enterprises Ltd, both the then and the current Managing Director-National Bank of Kenya and the then Permanent Secretary National Treasury officer who authorized the payment of Ksh. 422 million with a view to establishing the culpability to fraud. Should any person be found culpable, the Director of Public Prosecutions to take necessary legal action.

ii) Within three months upon adoption of this report, then Accounting Officer- KEMRI should liaise with the Cabinet Secretaries for Ministry of Lands, Public Works, Housing and Urban Development and Ministry of Health and the National Land Commission, to ensure that they secure ownership documents for all the institute's land and report back to the National Assembly.

3.Trade and other Receivables

389. The Committee was informed that, as reported in 2012/2013, the trade and other receivables balance of KSHS. 324,512,128 as at 30th June 2014 is net off an amount of KSHS.120,000,000 in respect of a deposit placed with the institute lawyers in the year 2000 while the institute was following up issues related to the stalled residential staff housing project. Although the Institute was fully provided for this amount as bad debts, the matter is still under police investigation.

390. A further review of the statements indicates the interest accumulated over time on the amount of Kshs 120,000,000 may not have been taken into account during the year.

391. Further the trade and other receivables of KSHS 324,512,128 as at 30 June 2014 includes temporary imprests amounting to KSHS 4,096,153 which have been outstanding for over one year. In the circumstances, it has not been possible to confirm the validity and accuracy of the trade and other receivables balance of Kshs. 324,512,128 as at 30 June 2014.

Management Response

392. It has since been established that these funds were not received by the Institute. The amount was subsequently written back to the debtors for the period ending June 2007

393. It is unlikely that debt of Kes. 120,000,000 collectable and a provision of doubtful debt have been provided for in our books. It would therefore not be prudent to accrue any interest receivable on the same.

I. The imprests that were over one year were imprest issue in respect of quarter per-diem to staff who had travelled outside the Country for further studies. The imprests were later retired on returning of the said officers. Recoveries was also effected.

II.The staff deductions included in the over remitted statutory and staff deductions of Kshs.913,676 was occasioned by staff recoveries of medical expenses incurred by staff where the debit balance had not been recognized as a debt. The error has since been rectified.

394. **Committee Observations**

i) The matter was considered by the Public Investments Committee in its 19th report. However, no action had been taken to implement the aforementioned PIC recommendations due to the prevailing workload and backlog on the Committee on Implementation which is a concern.
ii) The amount Kshs 120,000,000 was in respect of a deposit placed with the institute lawyers in the year 2000 relating to the stalled residential staff housing project. However, there is no evidence of refund of Kshs.119,871,608 as alleged in the Accounting Officer's submission and the amount may have been lost through fraudulent means.
iii) There is no evidence that imprests of Kshs 7,931,450 which were over one year in respect of quarter per-diem had been recovered in line with Regulation 93(6) of PFM (National Government) Act, 2015.
iv) The unremitted statutory and staff deductions of Kshs.913,676 occasioned by staff recoveries of medical expenses incurred by staff where the debit balance had not been recognized as a debt. Although it was reported that the error had since been rectified, there is no evidence in the subsequent financial statements to that effect.

395. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officer in collaboration with the Attorney-General to initiate recovery of the amount of Kshs 120,000,000 with interest at the applicable CBK rates from the lawyers.
ii) Within three months upon adoption of this report, the Accounting Officer to provide evidence of the alleged recovery of imprest Kshs 7,931,450 in accordance with Regulation 93(6) of PFM (National Government) Act, 2015. The evidence of recovery and correction of errors in the financial statements should be submitted to the National assembly and the auditor General for verification and reporting in the subsequent audit cycle.
iii) Within six (6) months upon adoption of this report, the Committee on Powers and Privileges should consider assessing the capacity and align the mandate of the Committee on Implementation to what it can efficiently handle including segmenting the Committee on Implementation according to sectors due to the prevailing workload and backlog.

2.4 KENYA MEDICAL LABORATORY, TECHNICIANS & TECHNOLOGISTS BOARD (KMLTTB)

THE EXAMINATION OF THE AUDITOR'S GENERAL REPORT OF THE KENYA MEDICAL LABORATORY, TECHNICIANS & TECHNOLOGISTS BOARD (KMLTTB) FINANCIAL YEAR 2014/2015 TO 2020/2021

Mr. Patrick Kisabei – the Registrar - Kenya Medical Laboratory Technicians & Technologists Board, was accompanied by Mr. Titus Mutwiri (Chairman) and Ms. Irene Njeri appeared before the Committee to adduce evidence on the Audited accounts of the Kenya Medical Laboratory, Technicians and Technologists Board (KMLTTB) for the Financial years 2014/2015 to 2020/2021.

FINANCIAL YEAR 2014/2015

<u>1.0 Trade and Other Payables from Exchange Transactions</u>

396. The Committee heard that, the statement of the financial position reflects trade and other payables balance of kshs.10,141,344 as at 30 June 2015, out of which kshs.9,735,344 have been outstanding for over two (2) years. As previously reported, the management has not given reasons for not settling the long outstanding amounts. It was therefore not possible to confirm that trade and other payables balance of kshs.10,141,344 as at 30 June 2015 is fairly stated.

Management Response

397. Issues of long outstanding payables is because of the legal dispute with prime Communications Limited and the case is in court.
398. The Board contracted the firm to advertise the services rendered by the Board, the dispute has been settled and payables paid. the firm was engaged to conduct marketing and advertising services for KMLTTB including direct mail advertising, preparation, speech writing, publicity and public relations work. The case has been settled and payables paid.
399. The dispute was caused by the client Prime communications brought invoices with big amounts than agreed on. Invoice number 2542 dated 2nd January, 2011 of Ksh 7,937,750 and Invoice number 2543 dated 4th January 2011 of Ksh 2,937,500.
400. The current status of the legal dispute made on 24th October, 2014. The applicant KMLTTB was ordered by high court to execute the payment of Ksh 13,400,000 in phases.

401. **Committee observations**

i) The dispute between Kenya Medical Laboratories Technician and Technologist Board and Prime Communications Limited has been concluded through a court ruling in which the Board was ordered to pay Ksh 13,400,000 in phases. The case has been settled and payables paid. Arising from the foregoing, the Committee observed that;

ii) The contract dated 30th December, 2010 did not expressly state the contract sum or the basis of charging the fees contrary section 85 (4) of the Public Procurement and Disposal Act, 2005. The firm raised an invoice number 2542 dated 12th January, 2011 for Kshs.

7,937,750 and an invoice number 2543 dated 4th February, 2011 for Ksh 2,937,500. However, KMLTTB disputed the total invoiced amount was Kshs. 10,875, 250 citing closeness of the invoicing dates which could not be a clear basis for the dispute.

iii) The disputed total invoiced amount was Kshs. 10,875, 250 but the court ordered the Board to pay Ksh 13,400,000 in phases resulting to an extra cost of Kshs. 2,524, 750 implying loss of public funds arising from poor contract management.

402. **Committee recommendations**

i) Within three months upon the adoption of this report, the then Accounting Officer should be surcharged the amount of Kshs. 2,524, 750 lost and the associated interest based on the prevailing CBK rates.

ii) The Accounting Officer should at all times ensure that procurement of goods and services is in accordance with Article 227 of the Constitution and relevant legislation.

iii) The Accounting Officers should strive to embrace Alternative Dispute resolution Mechanisms in resolution of disputes before going to court

iv) The Accounting Officer of Kenya Medical Laboratories Technician and Technologist Board should at all times ensure that outstanding payables are paid promptly to avoid unnecessary escalation of cost on account of delayed payment of its financial obligations.

2.0 Receivables from Exchange Transactions

403. The Committee heard that receivables from exchange transactions amount of ksh.1,656,000 relate to KMTC inspection fees. This amount has been outstanding for more than (10) years. No provision for bad and doubtful debts has been made in the books of accounts. It was therefore not possible to confirm the validity and recoverability of receivables from exchange transactions balance of ksh.1,656,000 as at 30 June 2015.

Management Responses

404. The Committee was notified that the long outstanding receivables from KMTC relates to the annual renewal license and re- inspections fees for the medical laboratory course offered by the various colleges across the country.

405. It is a requirement that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every Financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500.

406. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical training college regarding the outstanding invoices. The board has a debt policy of 90 days upon issuing the invoices.

407. As per the board Finance Manual, if payment is not received in the next 30 days, after the first reminder with no justifiable reason(s) for non-payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action, as attached.

408. **Committee Observations**

i) The Debt relating to inspection fees has been outstanding for more than ten (10) years

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

409. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institutes a debt recovery systems to avoid undue delays in debt collections.

ii) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter.

3.0 Financial Position

410. The Committee was informed that as previously reported, although the board realized a surplus of ksh.1,366,624 during the year under review, the resultant net accumulated deficit was ksh.2,252,232 as at 30 June 2015. Further, the current liabilities balance of ksh.10,141,344 exceeded the current assets figure of ksh.3,301,100 resulting to a negative working capital of ksh.6,840,244. The board is therefore technically insolvent and its existence will be through continued financial support from the Government, creditors and bankers.

Management Responses

411. The Committee was notified that the board realized a deficit as per the audit report in the financial year 2014 /2015 there were two invoices from Prime communication ie, Invoice 2542 of Ksh 7,937,750 and Invoice no 2543 of Ksh 2,937,500 (as per attached) amounting to Ksh 10,875,250. The board paid Ksh 1,000,000 on 19thSepember 2014 hence a balance of Ksh 9,875,250.

412. In the same financial year the payment to Prime communication limited of Ksh 9,8750,250 was under payables hence increasing the current liabilities. The deficit was caused by non payment to Prime communication limited due to the pending court case.

413. The current statues of the legal dispute made on 24th October 2014, as per the attached ruling indicates that the applicant KMLTTB was ordered by high court to execute the payment.

414. Further, the Committee was informed that the board does not receive grants from the Ministry. The board have engaged the Ministry of Health via letter KMLTTB/VOL.ii/302/2010 dated 6th October 2010 to see whether they can factor grants in their estimates especially for recurrent expenditure.

415. **Committee observations**

i) The matter had been considered in the 20th Report of the Public investments Committee where the Committee observed that the board lacks sufficient personnel to assist in enforcement of inspection to raise more revenue. In that respect, the Committee recommended that the parent Ministry and the National Treasury allocates funds to the Board to enable it streamline its operations including recruitment of more staff.

ii) The Board is still struggling to finance its operations despite the Committee recommendations

iii) The Board operations rely on the revenue received from Registration and Licensing of Medical Laboratories Technicians and Technologists which is inadequate to finance its operations and run as a going concern.

iv) The Board operated on negative working capital due to the lack of exchequer funding.

v) The establishing Act, Medical Laboratories Technicians and Technologists Act no. 10 of 1999 Section 33 provides that;

The funds of the Board shall comprise of—

(a) such monies as may accrue to or vest in the Board in the course of the exercise of its powers or the performance of its functions under this Act;

(b) all monies from any other source provided for or donated or lent to the Board.

vi) The functions of the Board are essential in regulating the profession, but it did not receive exchequer funding to supplement its other incomes.

416. **Committee Recommendations**

i) The Kenya Medical Laboratories Technicians and Technologist Board diversifies its revenue base to run its operations.

ii) Within three months upon adoption of this report, the Principal Secretary, State Department for Public Health and Professional Standards in collaboration with the Attorney-General and the National Assembly to initiate the legal process to amend Section 33 of the Medical Laboratories Technicians and Technologists Act no. 10 of 1999 to expressly provide for appropriation of funds by the National Assembly as one of the sources of funds to the Board.

FY 2015/2016

1.0 Trade and Other Payables from Exchange Transactions

417. The Committee heard that as previously reported, the statement of financial position as at 30 June 2016 reflects trade and other payables balance of ksh.11,074,884 out of which ksh.9,575,344 has been outstanding for considerably long period of time. Management has not given reasons for not settling the long outstanding amounts. It was therefore not possible to confirm that trade and other payable balance of ksh.11,074,884 as at 30 June 2016 is fairly stated.

Management Response

418. The Committee was informed that issues of long outstanding payables is because of a legal dispute with firm - Prime Communications Limited.

419. The board entered into agreement with the Prime Communications Firm to provide advertisement for the board for two year starting from 30th December 2010 to 29th December 2012 for the following:

a) Create, prepare and submit to advertiser for its prior approval advertising ideas and programs.

b) Organize road shows, mobile cinemas, mobile billboards campaign.

c) Offer TV Programs – production of commercials and documentaries.

d) Host talk shows through radio stations.

e) Advertise in newspapers, radio, static billboards.

f) Organize knowledge-based programs.

g) Printing of promotional materials, flyers and brochures.

h) Prepare and submit to advertiser for its prior approval estimates of costs and expenses associated with proposal advertising ideas and programs.

i) Design and prepare or arrange for design and preparation of advertisements.

j) Perform such other services related to advertising and marketing as advertiser may request from time to time such as but not limited to direct mail advertising, preparation, speech writing, publicity and public relations work. The case has been settled and payables paid.

420. The disputes were caused by the client Prime communications who brought invoices with big amounts than agreed on. Invoice number 2542 dated 2nd January 2011 of Ksh 7,937,750 and Invoice number 2543 dated 4th January 2011 of Ksh 2,937,500.

421. The current statues of the legal dispute made on 24th October 2014, as per the attached ruling. The applicant KMLTTB was ordered by high court to execute the payment of Ksh 13,400,000 in phases.

422. **Committee observations**

i) The dispute between Kenya Medical Laboratories Technician and Technologist Board and Prime Communications Limited has been concluded through a court ruling in which the Board was ordered to pay Ksh 13,400,000 in phases. The case has been settled and payables paid.

ii) The contract dated 30th December, 2010 did not expressly state the contract sum or the basis of charging the fees contrary section 85 (4) of the Public Procurement and Disposal Act, 2005. The firm raised an invoice number 2542 dated 12th January, 2011 for Kshs. 7,937,750 and an invoice number 2543 dated 4th February, 2011 for Ksh 2,937,500. However , KMLTTB disputed the total invoiced amount was Kshs. 10,875, 250 citing closeness of the invoicing dates which could not be a clear basis for the dispute.

iii) The disputed total invoiced amount was Kshs. 10,875, 250 but the court ordered the Board to pay Ksh 13,400,000 in phases resulting to an extra cost of Kshs. 2,524, 750 implying loss of public funds arising from poor contract management.

423. **Committee recommendations**

i) Within three months upon the adoption of this report, the then Accounting Officer should be surcharged the amount of Kshs. 2,524, 750 lost and the associated interest based on the prevailing CBK rates.
ii) The Accounting Officer should at all times ensure that procurement of goods and services is in accordance with Article 227 of the Constitution and relevant legislation.
iii) The Accounting Officers should strive to embrace Alternative Dispute resolution Mechanisms in resolution of disputes before going to court.
iv) The Accounting Officer of Kenya Medical Laboratories Technician and Technologist Board should at all times ensure that outstanding payables are paid promptly to avoid unnecessary escalation of cost on account of delayed payment of its financial obligations.

2.0 Receivables from Exchange Transactions

424. The Committee heard that, included in the statement of financial position as at 30th June 2016 are receivables from exchange transactions amounting to ksh.1,656,000.00 in respect of KMTC inspection fees which has been outstanding for more than (10) years. No provision for bad and doubtful debts has been made in the books of accounts in respect of this balance.

425. Consequently, it was not possible to confirm the validity and recoverability of receivables from exchange transactions balance of kah.1,656,000 as at 30 June 2016.

Management Response

426. The management informed the Committee that, the long outstanding receivables from KMTC relates to the annual renewal license and re- inspections fees for the medical laboratory course offered by the various colleges across the country.

427. It is a requirement that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every Financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500 as per attached.

428. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical training colleges regarding the outstanding invoices as attached.

429. The board has a debt policy of 90 days upon issuing the invoices.

430. As per the board Finance Manual, If payment is not received in the next 30 days, after the first reminder with no justifiable reason(s) for non-payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action, as attached.

431. **Committee Observations**

i) The Debt relating to inspection fees has been outstanding for more than ten (10) years

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

432. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institutes a debt recovery systems to avoid undue delays in debt collections.

ii) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter.

3.0 Going concern FY 2015/2016

433. The Committee heard that as previously reportedly although the board realized a surplus of ksh.5,415,841 during the year under review with a resultant net accumulated surplus of ksh.3,163,609, the current liabilities balance of ksh.11,074,884 exceeded the current assets figure of ksh.10,165,368 resulting in a negative working capital of ksh.909,516. The Board is therefore; technically insolvent and the financial statements have been prepared on a going concern basis of a continued financial support from the government, creditors and bankers.

Management response

434. The management informed the Committee that, the board realized a deficit as per the audit report. In the financial year 2014 2015 there were two invoices from Prime communication i.e, Invoice 2542 of Ksh 7,937,750 and Invoice no 2543 of Ksh 2,937,500 (as per attached) amounting to Ksh 10,875,250. The board paid Ksh 1,000,000 on 19thSepember 2014 (attached) hence a balance of Ksh 9,875,250.

435. In the same financial year the payment to Prime communication limited of Ksh 9,8750,250 was under payables hence increasing the current liabilities. The deficit was caused by non-payment to Prime communication limited due to the pending court case.

436. The current statues of the legal dispute made on 24th October 2014, as per the attached ruling. The applicant KMLTTB was ordered by high court to execute the payment.

437. Further, board does not receive grants from the Ministry. The board have engaged the ministry via letter KMLTTB/VOL.ii/302/2010 dated 6th October 2010 to see whether they can factor grants in their estimates especially for recurrent expenditure.

Committee observations

438. The matter had been considered in the 20th Report of the Public investments Committee where the Committee observed that the board lacks sufficient personel to assist in enforcement of inspection to raise more revenue. In that respect, the Committee recommended that the parent Ministry and the National Treasury allocates funds to the Board to enable it streamline its operations including recruitment of more staff.

439. The Board is still struggling to finance its operations despite the Committee recommendations

440. The Board operations rely on the revenue received from Registration and Licensing of Medical Laboratories Technicians and Technologists which is inadequate to finance its operations and run as a going concern.

441. The Board operated on negative working capital due to the lack of exchequer funding.

442. The establishing Act, Medical Laboratories Technicians and Technologists Act no. 10 of 1999 Section 33 provides that;

The funds of the Board shall comprise of—

(a) such monies as may accrue to or vest in the Board in the course of the exercise of its powers or the performance of its functions under this Act;

(b) all monies from any other source provided for or donated or lent to the Board.

443. The functions of the Board are essential in regulating the profession, but it did not receive exchequer funding to supplement its other incomes.

444. **Committee Recommendations**

i) The Kenya Medical Practitioners Dentists board diversifies its revenue base to run its operations.

ii) Within three months upon adoption of this report, the Principal Secretary, State Department for Public Health and Professional Standards in collaboration with the Attorney-General and the National Assembly to initiate the legal process to amend Section 33 of the Medical Laboratories Technicians and Technologists Act no. 10 of 1999 to expressly provide for appropriation of funds by the National Assembly as one of the sources of funds to the Board.

FY 2016/2017

1.0 Receivables from Exchange Transactions

445. The Committee heard that, included in the statement of financial position as at 30th June 2017 are receivables from exchange transactions amounting to ksh.1,656,000 in respect of Kenya Medical Training College (KMTC) inspection fees which is has been outstanding for more than eleven (11) years. As previously reported. No provision for bad and doubtful debts has been made in the books of accounts in respect of this balance. Consequently, it has not been possible to confirm the validity and recoverability of receivables from exchange transactions balance of ksh.1, 656,000 as at 30 June 2017.

Management response

446. The committee was informed that, the long outstanding receivables from KMTC - it relates to the annual renewal license and re- inspections fees for the medical laboratory course offered by the various colleges across the country.

447. It is requirements that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every Financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500 as per attached.

448. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical training colleges regarding the outstanding invoices.

449. The board has a debt policy of 90 days upon issuing the invoices.

450. As per the board Finance Manual, if payment is not received in the next 30 days, after the first reminder with no justifiable reason(s) for non- payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action, as attached.

451. **Committee Observations**

i) The Debt relating to inspection fees has been outstanding for more than ten (10) years

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

452. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institute a debt recovery system to avoid undue delays in debt collections. The Accounting Officer should then submit a report on the debt recovery system to the National Assembly and the Auditor-General for review.

ii) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter.

2.0 Trade and other Payables from Exchange Transactions

453. The Committee heard that as previously reported, the statement of financial position as at 30th June 2017 includes trade and other payables from exchange transaction balance of ksh.3,824,886 out of which Ksh.2,880,198 has been outstanding for considerably long period of time. Management has not given reasons for not settling the long outstanding amounts.

454. Consequently, it has not been possible to confirm that trade and other payables balance of Ksh.3,824,886 included in the statement of financial position as at 30th June 2017 is fairly stated.

Management response

455. The committee was informed that the issues of long outstanding payables is because of a delayed invoice of the Kenyatta International Conventional Center (KICC). The board held a conference at KICC on 2nd August 2012 and the conference charges were Ksh1,200,069 Vat inclusive. However, the invoice number SINV0293 was delivered to MOH instead of the board (KMLLTB). However, the invoice was received by the board in 19th September 2016. In 2020 via letter KICC/10/16/VOL4 Addressed to KMLTTB for the outstanding arrears owed to KICC dated 26th May 2020.

456. The commencement of payment started in 18th March 2021 and completed on 29th June 2022. Document for payment attached. Issues of long outstanding payables relating to KICC have been Settled.

457. **Committee Observations**

i) The outstanding amount in question was Ksh.2,880,198 that had been outstanding for a long period of time. However, the board only addressed payables of Kshs. Ksh1,200,069 relating Kenya International Convention Centre. The difference of Kshs. 1, 680, 129 has not been addressed in the management response.

458. **Committee recommendations**

i) The Accounting Officer should at all times ensure that procurement process and the accompanying documentations are properly prepared and maintained in accordance with section 44 (2) (d) of the Public procurement and Asset Disposal Act, 2015.

ii) The Accounting Officer of Kenya Medical Laboratories Technician and Technologist Board should at all times ensure that outstanding payables are paid promptly to avoid unnecessary escalation of costs on account of delayed payment of its financial obligations.

iii) The Committee reprimands the Accounting Officer for failing to adequately respond to the audit query.

iv) In addition, the Committee recommends that Accounting Officer should at all times address the audit query as raised including any remedial actions that have been undertaken to fully resolve the issue.

FY 2017/2018

1.0 Receivables from Exchange Transactions

459. The Committee heard that, as previously reported, note 9 to the financial statements reflects receivables from exchange transactions amounting to ksh.13,798,500 as at 30th June, 2018 due from Kenya Medical Training College (KMTC) in respect of inspection fee which has been outstanding for more than twelve (12) years. However, no provision for bad and doubtful debts has been made in the books of accounts in respect of his balance. Consequently, it has been not been possible to confirm the validity and full recoverability of receivables from exchange transactions balance of kshs.13,798,500 as at 30th June 2018.

Management Response

460. The management informed the Committee that, the long outstanding receivables from KMTC relates to the annual renewal license and re- inspections fees for the medical laboratory course offered by the various colleges across the country.
461. It is required that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every Financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500.
462. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical training colleges regarding the outstanding invoices. The board has a debt policy of 90 days upon issuing the invoices.
463. As per the board Finance Manual, if payment is not received in the next 30 days, after the first reminder with no justifiable reason(s) for non- payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action, as attached.

464. **Committee Observations**

i) The Debt relating to inspection fees has been outstanding for more than twelve (12) years. There is an astronomical increase in the balance of receivable from exchange transactions in respect of KMTC inspection fees from Kshs. 1,656, 000 as at 30th June, 2017 to Kshs. 13,798,500 as at 30th June, 2018. The sharp increase is doubtful and may point to poor record keeping or manipulation of records.

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

iii) The management response did not address the main issue on non-provision for bad and doubtful debt as raised in the audit-query. The then Accounting Officer did not comply with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.

465. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institutes a debt recovery systems to avoid undue delays in debt collections.

ii) Within three months upon adoption of this report, the Accounting Officer should submit a report, schedule and the ledgers in respect of Kshs.13,798,500 inspection fees to the National Assembly and the Auditor-General for audit review and reporting in the subsequent audit cycle.

iii) The Committee reprimands the then accounting Officer for failing to address the audit query on the non-provision for bad and doubtful debt as raised in the audit-query. The Committees cites the then Accounting Officer for professional incompetence on account of not complying with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.

iv) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter and ensure implementation.

2.0 Trade and other payables from Exchange Transactions

466. The Committee heard that, as previously reported, note 11 to the financial statements reflect trade and other payables from exchange transactions balance of kshs.4, 487,270 as at 30 June 2018 out of which kshs.3,554,266 relate period between 2011/2012 and 2016/2017 financial years. Management has not given key reasons for not settling the long outstanding amounts. Consequently, it has not been possible to confirm that trade and other payables from exchange transaction balance of kshs.4,487,270 included in the statement of financial position as at 30th June, 2018 is fairly stated.

Management Response

467. The committee was informed that Issues of long outstanding payables is because of a delayed invoice of The Kenyatta International Conventional Center (KICC). The board held a conference at KICC on 2nd August 2012 and the conference charges were Ksh1,200,069 Vat inclusive. However, the invoice number SINV0293 was delivered to MOH instead of the board (KMLLTB). the invoice was received by the board in 19th September 2016.

468. In 2020 via letter KICC/10/16/VOL4 Addressed to KMLTTB for the outstanding arrears owed to KICC dated 26th May 2020.The commencement of payment started in 18th March 2021 and completed on 29th June 2022. Document for payment attached. Issues of long outstanding payables relating to KICC have been settled.

469. **Committee Observations**

The outstanding amount in question was Kshs.3,554,266 that had been outstanding for a long period of time. However, the board only addressed payables of Kshs. Ksh1,200,069 relating to Kenya International Convention Centre. The difference of Kshs. 2,354,197 has not been addressed in the management response.

470. **Committee recommendations**

i) The Accounting Officer should at all times ensure that procurement process and the accompanying documentations are properly prepared and maintained in accordance with section 44 (2) (d) of the Public procurement and Asset Disposal Act, 2015.

ii) The Accounting Officer of Kenya Medical Laboratories Technician and Technologist Board should at all times ensure that outstanding payables are paid promptly to avoid unnecessary escalation of costs on account of delayed payment of its financial obligations.

iii) The Committee reprimands the Accounting Officer for failing to adequately respond to the audit query.

iv) In addition, the Committee recommends that Accounting Officer should at all times address the audit query as raised including any remedial actions that have been undertaken to fully resolve the issue.

FY 2018/2019

1.0 Unsupported Remuneration of Directors

471. The Committee heard that, as disclosed under Note 2 to the financial statements, the statement of financial performance reflects remuneration of Directors' expenditure of Kshs.1, 500,000. The balance includes the Chairman's Honoraria of Kshs.960, 000 for the financial year ended 30th June, 2019. It was however noted that the term of the Chairman expired in August 2018 and the management did not provide supporting documents such as new appointment or extension of the term.

472. In the circumstances, the validity of the honoraria payment of kshs.960, 000 for the year ended 30th June 2019 could not be confirmed.

Management Response

473. The management informed the Committee that, the board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately.

474. The KMLTTB Act No. 10 of the 1999 Cap 3 (2) The Board shall be a body corporate with perpetual succession. This clause inhibits no vacuum before a new board is constituted allowing the old one to continue until another board is appointed by the cabinet secretary of Ministry of health. As attached.

475. The Honoraria amounts be paid to the sitting Chairman of the board, an amount of Ksh 80,000 per month, Ksh 960,000 per annum. SRC Circular Ref number SRC/TS/SC/3/17 VOL.V(171)

476. The Board wrote to the Ministry of Health notifying the appointing authority (Cabinet Secretary) Correspondence of the same via letter KMLTTB/MoH.corr/18/vol.1/118 and KMLTTB/MOH.CORR/18/VOL.2/12 about the expiry of the term of the Board and subsequently that of the chairman (attached). However, the Ministry of Health did not respond to the two letters.

The current board statues; The new board was gazetted on 5th August, 2022.

477. **Committee observations**

i) The previous board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately until 5th August, 2022.

ii) There was no legal basis for paying Ksh 960,000 as Honoraria to the immediate former Chairman of the board when his term had expired in August, 2018.

478. **Committee recommendations**

i) The National Assembly should amend the State Corporations Act, 2015, the Employment Act, 2007 and the PFM Act, 2012 to make it clear that no entity should be allowed to make any financial commitment without a properly constituted Board of Directors.

ii) The Committee reprimands the then Cabinet Secretary for Health for failing to inform the appointing authorities of an existing vacancy in the Board.

iii) Within three months upon adoption of this report, the then Accounting Officer and the receiving former Board chairperson to be surcharged the Honoraria amount of Kshs. 960,000 and the associated interest subject to prevailing CBK rates, for fraudulently paying and receiving respectively the said amount.

2.0 Long Outstanding Balance

2.1 Unsupported Receivables from Exchange Transactions

479. The Committee heard that as disclosed under Note 15 to the financial statements, the statement of the financial position reflects receivable from exchange transactions of kshs.21, 894,000. The balance, as previously reported, includes an amount of kshs.12,983,500 due from Kenya Medical Training College (KMTC) in respect of inspection fees which has been outstanding for more than thirteen (13) years and which has not been reflected as a payable in KMTC books of accounts. However, no provision for bad and doubtful debts has been made in the books of accounts in respect of this balance.

480. Consequently, the validity and full recoverability of receivables from exchange transactions balance of kshs. 21,894,000 as at 30 June 2019 could not be confirmed.

Management Response

481. The committee was informed the long outstanding receivables from KMTC - it relates to the annual renewal license and re- inspections fees for the medical laboratory course offered by the various colleges across the country.

482. It is requirements that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500.

483. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical Training colleges regarding the outstanding invoices as attached.

484. The board has a debt policy of 90 days upon issuing the invoices.

485. As per the board Finance Manual, If payment is not received in the next 30 days, after the first reminder with no justifiable reason(s) for non- payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action, as attached.

486. The Debt relating to inspection fees has been outstanding for more than thirteen (13) years

487. The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

488. **Committee Observations**

i) The Debt relating to inspection fees amounting to Kshs. 12,983,500 relating to KMTC as at 30th June, 2019 has been outstanding for more than thirteen (13) years.

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

iii) The management response did not address the main issue on non-provision for bad and doubtful debt as raised in the audit-query. The then Accounting Officer did not comply with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.

489. **Committee Recommendations**

i) Within three months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institutes a debt recovery systems to avoid undue delays in debt collections.

ii) Within three months upon adoption of this report, the Accounting Officer should submit a report, schedule and the ledgers in respect of Kshs. 12,983,500 inspection fees to the National Assembly and the Auditor-General for audit review and reporting in the subsequent audit cycle.

iii) The Committee reprimands the then Accounting Officer for failing to address the audit query on the non-provision for bad and doubtful debt as raised in the audit-query. The Committees cites the then Accounting Officer for professional incompetence on account of not complying with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.

iv) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter and ensure implementation.

2.2 Trade and Other Payables from Exchange Transactions

490. The Committee heard that, as previously reported, Note 17 to the financial statements reflects trade and other payables from exchange transactions balance of kshs.1,946,419 as at 30th June, 2019 out of which kshs.1,200,069 relates to the financial year 2012/2013. Management has not given reasons for not settling the long outstanding amount.

491. Consequently, it has not been possible to confirm that trade and other payables from exchange transactions balance of kshs.1,946,419 included in the statement of financial position as at 30 June, 2019 is fairly stated.

Management Response

492. The management informed the Committee that, the issues of long outstanding payables is because of a delayed invoice of The Kenyatta International Conventional Center (KICC)
493. The board held a conference at KICC on 2nd August 2012 and the conference charges were Ksh1,200,069 Vat inclusive. However, the invoice number SINV0293 was delivered to MOH instead of the board (KMLLTB). However, the invoice was received by the board in 19th September 2016.
494. In 2020 via letter KICC/10/16/VOL4 Addressed to KMLTTB for the outstanding arrears owed to KICC dated 26th May 2020.The commencement of payment started in 18th March 2021 and completed on 29th June 2022. Document for payment attached
495. Issues of long outstanding payables relating to KICC have been Settled.
496. **Committee Observation**

The outstanding amount in question was Kshs. 1,200,069 that had been outstanding for a long period of time. However, the Board has not given reasons for not settling the long outstanding amount.

497. **Committee recommendation**

The Accounting Officer of Kenya Medical Laboratories Technician and Technologist Board should at all times ensure that outstanding payables are paid promptly to avoid unnecessary escalation of costs on account of delayed payment of its financial obligations.

1.0 Unsupported Remuneration of Directors FY 2019/2020

498. The Committee heard that, the statement of financial performance reflects the remuneration of directors' figure of Kshs.1, 500,000. As disclosed in Note 8 to the financial statements, this amount includes the chairman's honoraria of kshs.960, 000 for the year ended 30 June, 2020. However, the term of the chairman expired in August, 2018 and no replacement had been done as at the time of audit in January, 2021.
499. In the circumstances, the completeness, regularity and validity of the remuneration of the director's expenditure of kshs.1, 500,000 could not be confirmed.

Management Response

500. The management informed the Committee that, the board of KMLTTB was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately.
501. The KMLTTB Act No. 10 of the 1999 Cap 3 (2) The Board shall be a body corporate with perpetual succession. This clause inhibits no vacuum before a new board is constituted allowing the old one to continue until another board is appointed by the cabinet secretary of Ministry of health. As attached.

502. The Honoraria amounts be paid to the sitting Chairman of the board, an amount of Ksh 80,000 per month, Ksh 960,000 per annum. SRC Circular Ref number SRC/TS/SC/3/17 VOL.V(171) attached.

503. The Board wrote to the Ministry of Health notifying the appointing authority (cabinet secretary) Correspondence of the same via letter KMLTTB/MoH.corr/18/vol.1/118 and KMLTTB/MOH.CORR/18/VOL.2/12 about the expiry of the term of the Board and subsequently that of the chairman (attached). However, the Ministry of Health did not respond to the two letters.

504. The current board statues; The new board was gazetted on 5th August 2022, (as attached)

505. **Committee observations**

i) The previous board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately until 5th August, 2022 and consequently resulted in a lack proper oversight of the public funds in the organization.

ii) There was no legal basis for paying Ksh 960,000 as Honoraria to the immediate former Chairman of the board when his term had expired in August, 2018.

506. **Committee recommendations**

i) The National Assembly should amend the State Corporations Act to make it clear that no entity should be allowed to make any financial commitment without a properly constituted Board of Directors.

ii) The Committee reprimands the then Cabinet Secretary for Health for failing to inform the appointing authorities of an existing vacancy in the Board.

iii) Within three months upon adoption of this report, the then Accounting Officer and the receiving former Board chairperson to be surcharged the Honoraria amount of Ksh 960,000 and the associated interest subject to prevailing CBK rates, for fraudulently paying and receiving respectively the said amount.

2.0 Budgetary Control and Performance 2019/2020

507. The Committee heard that, statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of kshs.191,041,500 and Kshs.139,306,591 respectively resulting to an under-funding of kshs.51,734,909 or 27% of the actual budget.

508. Similarly, the fund spent kshs.142,323,077 against an approved budget of kshs.185, 074,582 resulting to an under-expenditure of kshs.42,751,505 or 23% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the stake holders

Management response

509. The management informed the Committee that, object and purpose for which the Board is established shall be to exercise general supervision and control over the training, business, practice and employment of laboratory technicians and technologists in Kenya and to advise the Government in relations to all aspects thereof. (2) Without prejudice to the generality of

the foregoing, the Board shall – (a) prescribe, in consultation with the College and such approved training institutions as the Board may deem appropriate, the courses of instruction for laboratory technicians and technologists; (b) Consider and approve the qualifications of laboratory technicians and technologists for the purposes of registration under this Act. (c) Approve institutions for the training of laboratory technicians and technologists; (d) Licence and regulate the business and practice of registered laboratory technicians and technologists; and (e) Regulate the professional conduct of registered laboratory technicians and technologists and take such disciplinary measures as may be appropriate to maintain proper professional standards.

510. Further the board heavily rely on fees from laboratory technicians and technologists and diagnostic labs registration fees. However, the board rely on the above mention fees so as to execute their mandate.

511. The board does not receive the grants from the exchequer. The budget is based on estimation hence the budgeted amount was not realized leading to under expenditures.

512. The board will request for more funding.

513. **Committee observations**

i) The Board's actual receipts was Kshs.139,306,591 whereas its actual expenditure was kshs. 142,323,077. This implies that the Board spent Kshs. 3,016,486 over and above its actual receipts.

ii) The under absorption of Kshs. 42,751,505 or 23% and the under-funding of kshs.51,734,909 or 27% of the actual budget may have affected the planned activities and might have impacted negatively on the service delivery to the public.

iii) The Board relied on unrealistic projections of revenue and expenditure leading to underperformance of the budget.

514. **Committee Recommendation**

The accounting officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules.

<u>Unresolved Prior Year Matters</u>

515. In the audit report of the previous year, several issues were raised under the report on the financial statements. However, the Management has not resolved the issue or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular reference No AG.4/16/3 VOL. 1 (9) Dated 24th June 2020.

516. **Committee observation**

The Accounting Officer did not indicate the steps taken to resolve the prior year 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 reference No AG.4/16/3 VOL. 1 (9) Dated 24th June 2020.

517. **Committee Recommendation**

The Committee reprimands the then Accounting Officer for failure to comply with the Section 31 (1) (a) of the Public Audit Act, 2015 that provides that a public entity shall as a preliminary step submit a report on how it has addressed the recommendations and findings of the previous year audit.

2.1 Non-Compliance with the Medical Laboratory Technicians and Technologists Act, 1999

518. The Committee heard that, the Kenya Medical Laboratory Technicians and Technologists Board operated without a Board of directors.

519. This is contravention of the Section 6 of the Medical Laboratory Technicians and Technologists Act, 1999 which provides for a board membership of ten (10) individuals whose background is as stipulated in section 6(1)(a) to (j) of the Act. It is therefore not clear whether the board was able to realize its core object of exercising general supervision and control over the training, business, practice and employment of laboratory technicians and technologists in Kenya and to advise the Government in relation to all aspects thereof.

Management response

520. The management informed the Committee that, the board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately.

521. **Committee observations**

i) The previous board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately until 5th August, 2022 and consequently resulted in a lack proper oversight of the public funds in the organization.

ii) In the absence of a board, the legality and realization of the core object of exercising general supervision and control over the training, business, practice and employment of laboratory technicians and technologists in Kenya and to advise the Government in relation to all aspects thereof could not be ascertained.

522. **Committee recommendations**

i) The National Assembly should amend the PFM Act, 2012 and the State Corporations Act to make it clear that no entity should make any financial commitment without a properly constituted Board of Directors.

ii) The Committee reprimands the Cabinet Secretary for Health for failing to fill the existing vacancies in the Boards of various State Corporations promptly.

FY 2020/2021

1.0 Unsupported Remuneration of Directors

523. The Committee heard that, the statement of financial position reflects remuneration of director's amount of kshs.1,500,000 and as disclosed in Note 8 to the financial statements, which includes the Chairman's honoraria of kshs.960, 000. The term of Board's Chairman expired in the August 2018 and no replacement had been done as at the time of the audit in October 2021.

524. In the circumstances, the accuracy and completeness of the remuneration of director's expenditure of kshs.960, 000 could not be confirmed.

Management Response

525. The management informed the Committee that, the board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately.

526. **Committee observations**

i) The previous board was inaugurated in August 2015 for a period of 3 years up to August 2018. However, a new board was not constituted immediately until 5th August, 2022 and consequently resulted in a lack proper oversight of the public funds in the organization.

ii) There was no legal basis for paying Ksh 960,000 as Honoraria to the immediate former Chairman of the board when his term had expired in August, 2018.

527. **Committee recommendations**

i) The National Assembly should amend the State Corporations Act to make it clear that no entity should be allowed to make any financial commitment without a properly constituted Board of Directors.

ii) The Committee reprimands the then Cabinet Secretary for Health for failing to inform the appointing authorities of an existing vacancy in the Board.

iii) The Committee reprimands the appointing authorities for the delays in constituting or failing to fill the existing vacancies in the Boards of various State Corporations promptly.

iv) Within three months upon adoption of this report, the then Accounting Officer and the receiving former Board chairperson to be surcharged the Honoraria amount of Ksh 960,000 and the associated interest subject to prevailing CBK rates, for fraudulently paying and receiving respectively the said amount.

2.0 Unsupported Receivables from exchange Transactions

528. The Committee heard that, as disclosed in Note 16 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of kshs.31, 057,500that includes a balance of kshs.12, 983,500 due from Kenya Medical Training College (KMTC) for inspection fees. The balance has been outstanding for more than fourteen (14)

years and was not reflected as payables in KMTC book of accounts. In addition, no provision for bad and doubtful debts was made in the books of accounts for this balance nor is there evidence of request to the National Treasury for write off as provided for in the public finance Management Act, 2012.

529. In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of kshs.31,057,500 as at 30 June, 2021 could not be confirmed.

Management response

530. The long outstanding receivables from KMTC relates to the annual renewal license and re-inspections fees for the medical laboratory course offered by the various colleges across the country.

531. It is requirements that all training institutions be licensed by the board as a regulatory body so as to monitor the standards offered in such institutions. As per the mandate of the board every Financial year each training institution /college offering lab training must renew their annual license of Ksh 87,500.

532. The board via letter KMLTTB/GEN/VOL.1/01/10 dated 11th January 2010 issued to Kenya Medical training colleges regarding the outstanding invoices.

533. The board has a debt policy of 90 days upon issuing the invoices.

534. As per the board Finance Manual, if payment is not received in the next 30 days after the first reminder with no justifiable reason(s) for non-payment, a second reminder shall be sent. If no payment is received, account suspension notice shall be sent to the defaulting client and no payment is received within the next 30 days, the defaulters name shall be forwarded to the board for legal action.

535. **Committee Observations**

i) The Debt relating to inspection fees amounting to Kshs. 12,983,500 relating to KMTC as at 30th June, 2020 has been outstanding for more than fourteen (14) years.

ii) The Audit query on receivables from exchange transaction had been considered in the 20th Report of the Public investments Committee where the committee recommended that the Board institutes debt recovery systems to avoid undue delays in debt collections.

iii) The management response did not address the main issue on non-provision for bad and doubtful debt as raised in the audit-query. The then Accounting Officer did not comply with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.

536. **Committee Recommendations**

i) Within three (3) months upon adoption of this report, the Accounting Officer should fully implement the Committee recommendation as contained in the 20th PIC Report that recommended the Board to institute a debt recovery system to avoid undue delays in debt collections. The Accounting Officer should then submit a report on the debt recovery system to the National Assembly and the Auditor-General for review.

ii) Within three (3) months upon adoption of this report, the Accounting Officer should submit a report, schedule and the ledgers in respect of Kshs. 12,983,500 inspection fees to the National Assembly and the Auditor-General for audit review and reporting in the subsequent audit cycle.
iii) The Committee reprimands the then Accounting Officer for failing to address the audit query on the non-provision for bad and doubtful debt as raised in the audit-query. The Committees cites the then Accounting Officer for professional incompetence on account of not complying with the disclosure requirements in the International Public Sector Accounting Standards IPSAS contrary to section 81 (3) of the PFM Act, 2012.
iv) The Committee on Implementation should follow-up on Public Investments Committee's recommendations on the matter and ensure implementation.

3.0 Budgetary Control and Performance

537. The Committee heard that, the summary statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs. 224,116,500 and Kshs.206,262,535 respectively resulting to unrealized revenue of Kshs.17,853,965 or 8% of the budget. Similarly, the Board spent Kshs.188,142,436 against an approved budget of Kshs.217,374,216 resulting to an under-expenditure of Kshs.29,231,780 or 13% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

Management Response

538. The board does not receive grants from the exchequer. The budget is based on estimation hence the budgeted amount was not realized, leading to under-expenditure.

539. **Committee observations**

i) The under absorption of Kshs.29,231,780 or 13% and the unrealized revenue of Kshs.17,853,965 or 8% of the budget that may have affected the planned activities and might have impacted negatively on the service delivery to the public.
ii) The Board relied on unrealistic projections of revenue and expenditure leading to underperformance of the budget.

540. **Committee Recommendation**

The Accounting Officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules.

Unresolved Prior Year Matters

541. In the audit report of the previous year, several issues were raised under the report on the financial statements and report on lawfulness and effectiveness in the use of public resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular reference No AG.4/16/3 VOL. 1 (9) Dated 24th June 2020.

542. **Committee observation**

The Accounting Officer did not indicate the steps taken to resolve the prior year 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 reference No AG.4/16/3 VOL. 1 (9) Dated 24th June 2020.

543. **Committee Recommendation**

The Committee reprimands the then Accounting Officer for failure to comply with the Section 31 (1) (a) of the Public Audit Act, 2015 that provides that a public entity shall as a preliminary step submit a report on how it has addressed the recommendations and findings of the previous year audit.

2.5 KENYA MEDICAL PRACTITIONERS DENTISTS COUNCIL (KMPDC)

EXAMINATION OF THE AUDITOR'S GENERAL REPORT OF THE KENYA MEDICAL PRACTITIONERS DENTISTS COUNCIL (KMPDC) FOR THE FINANCIAL YEAR 2017/2018 TO 2020/2021.

Dr. David Kariuki (Chief Executive Officer), was accompanied by CPA Philip Ole Kamwaro (Director CORPS) and Mr. James Ndiwa (Ag. Ass. D-F&A) of Kenya Medical Practitioners Dentists Council (KMPDC) appeared before the committee to adduce evidence on the Audited accounts of the Kenya Medical Practitioners Dentists Council, for the Financial year 2017/2018 to 2020/2021.

FY 2017-2018

Going Concern

544. The Statement of Financial Position reflects current liabilities kshs 16,531,666 which exceeds the Current Assets balance of kshs 3,551,023 resulting a negative working capital of kshs. 12,980,643.

Management response

545. The committee was informed that the Council experienced Financial Constraints during the FY 2017/18, 2018/19, 2019/20 due to limited revenue base against expanded mandate. The only revenue received was from Registration and Licensing of Doctors and Health Facilities. This Revenue was not sufficient to enable Council run all its activities as stipulated under Cap 253 of laws of Kenya.
546. As a result, there was need to seek exchequer funding to bridge the gap to enable the Council meet its obligations as per the mandate. The Council was successful in getting exchequer funding beginning F/Y 2020/2021. This enabled sort the going concern issue experienced over the years and was issued with an unqualified report from Auditor General.
547. **Committee observations**
   i) On account of the critical mandate of the Council, the Committee noted that there is need for KMPDC to be supported by Exchequer.
   ii) The Council operations rely on the revenue received from Registration and Licensing of Doctors and Health Facilities which is inadequate to finance its operations and run as a going concern.
   iii) The Council operated on negative working capital due to the lack of exchequer funding.
548. **Section 25 of the Medical Practitioners and Dentists' Act Cap. 253 provides that;**

The Minister may, with the consent of the Treasury, out of money provided by Parliament—

(a) make to the Board such grants as may be necessary to enable it to discharge its functions under this Act;

(b) pay remuneration and travelling and other allowances to the members of the Board (other than members who are public officers in receipt of a salary);

(c) make such other payments as may be necessary to give effect to the provisions of this Act.

However, the Council is technically insolvent on account of not receiving grants from the Ministry of Health.

549. **Committee Recommendation**

Within three (3) months upon adoption of this report, the National Assembly to initiate the legal process to amend Section 25 of the Kenya Medical Practitioners and Dentists Act to expressly provide for direct disbursement of funds to the council without the Ministry seeking approval from the National Treasury.

F/Y 2018/2019

Undisclosed Material uncertainty on Going concern

550. The Committee heard that, the Statement of Financial Position reflects current liabilities kshs 15,491,786 which exceeds the Current Assets balance of kshs 6,915,119 resulting a negative working capital of kshs. 8,576,667.

551. Consequently, the Council is technically insolvent and the financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from creditors and the Government.

Management response

552. The committee was informed that, the council experienced Financial Constraints during the FY 2017/18, 2018/19, 2019/20 due to limited revenue base against expanded mandate. The Council continued discharging its mandate against limited revenue being collected from licensure. This Revenue was not sufficient to enable Council run all its activities as stipulated under Cap 253 of laws of Kenya.

553. As a result, there was need to seek exchequer funding to bridge the gap to enable the Council meet its obligations as per the mandate. The Council was successful in getting exchequer funding beginning F/Y 2020/2021.

554. **Committee observations**

i) On account of the critical mandate of the Council, the Committee noted that there is need for KMPDC to be supported by Exchequer.
ii) The Council operations rely on the revenue received from Registration and Licensing of Doctors and Health Facilities which is inadequate to finance its operations and run as a going concern.
iii) The Council operated on negative working capital due to the lack of exchequer funding.

Section 25 of the Medical Practitioners and Dentists' Act Cap. 253 provides that;

The Minister may, with the consent of the Treasury, out of money provided by Parliament—

(a) make to the Board such grants as may be necessary to enable it to discharge its functions under this Act;

(b) pay remuneration and travelling and other allowances to the members of the Board (other than members who are public officers in receipt of a salary);

(c) make such other payments as may be necessary to give effect to the provisions of this Act.

555. However, the Council is technically insolvent on account of not receiving grants from the Ministry of Health.

556. **Committee Recommendation**

Within three (3) months upon adoption of this report, the National Assembly to initiate the legal process to amend Section 25 of the Kenya Medical Practitioners and Dentists Act to expressly provide for direct disbursement of funds to the council without the Ministry seeking approval from the National Treasury.

Inaccuracy of Cash and Cash Equivalent

557. The Committee heard that, as disclosed under Note 16 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.6,429,459. The balance is net of an overdrawn cash book balance of Kshs.982,965 in the Kenya Commercial Bank (KCB) current account. which is contrary to Paragraph 48 of International Public Sector Accounting Standard (IPSAS) 1 which prohibits offsetting of assets and liabilities and income and expenses unless required or permitted by a standard.

558. Further, Management has not provided supporting documents for overdrawing the bank account.

559. Consequently, the accuracy, completeness and validity of cash and cash equivalents balance of Kshs.6,429,459 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

Management response

560. **The Committee was informed that, the Council made amendments and this hasn't occurred** ever since as highlighted by the reports of successive financial years.

561. **Committee observations**

i) The Council misrepresented the cash and cash equivalent balance by offsetting the overdrawn cash book balances against debit cash book balances contrary to Paragraph 48 of International Public Sector Accounting Standard (IPSAS) 1. The cash and cash equivalents balance of Kshs.6,429,459 reflected in the statement of financial position as at 30th June, 2019 was misrepresented.

ii) The Accounting Officer was in breach of Section 81(3) of the PFM Act, 2012 which provides 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.

562. **Committee Recommendation**

The Accounting Officer should at all times comply with the provisions of Section 81(3) of the Public Finance Management Act, 2012 failure to which disciplinary action should be taken against the Accounting Officer in accordance with Section 74 of the PFM Act, 2012.

F/Y 2019/2020

Financial Performance and sustainability of service - Going Concern

563. The Committee heard that, as reflected in the statement of financial performance, the Council recorded a deficit if Kshs.16,179,281 (2018/2019 – surplus of Kshs.3,379,224) which resulted in depletion of revenue reserves from Kshs.343,391,909 as at 1 July, 2019 to Kshs.327,212,628 as at 30 June, 2020. Further, the statement of financial position reflects current liabilities of Kshs.44,601,555 (2018/2019 - Kshs.15,491,786) which exceed the current assets balance of Kshs.10,443,827 (2018/2019 - Kshs.6,915,119) resulting into a negative working capital of Kshs.34,157,728.
564. The Centre may therefore, not be able to meet its short-term financial obligations as they fall due, casting doubt on the sustainability of services without the continued financial support from creditors and the Government.
565. The material uncertainty in relation to going concern and any mitigating measures put in place by the Council to reverse the undesirable trend have not been disclosed in the financial statements.

Management Response

566. The Council experienced reduced revenue collection as a result of the covid-19 pandemic which limited movement and hence low compliance rates.

567. **Committee observations**

i) On account of the critical mandate of the Council, the Committee noted that there is need for KMPDC to be supported by Exchequer.
ii) The Council operations rely on the revenue received from Registration and Licensing of Doctors and Health Facilities which is inadequate to finance its operations and run as a going concern.
iii) The Council operated on negative working capital due to the lack of exchequer funding.

Section 25 of the Medical Practitioners and Dentists' Act Cap. 253 provides that;

The Minister may, with the consent of the Treasury, out of money provided by Parliament—

(a) make to the Board such grants as may be necessary to enable it to discharge its functions under this Act;

(b) pay remuneration and travelling and other allowances to the members of the Board (other than members who are public officers in receipt of a salary);

(c) make such other payments as may be necessary to give effect to the provisions of this Act.

However, the Council is technically insolvent on account of not receiving grants from the Ministry of Health.

568. **Committee Recommendation**

Within three (3) months upon adoption of this report, the National Assembly to initiate the legal process to amend Section 25 of the Kenya Medical Practitioners and Dentists Act to expressly provide for direct disbursement of funds to the council without the Ministry seeking approval from the National Treasury.

Budgetary Controls and Performance

569. The Committee heard that, the council received Kshs. 287,232,654 against budgeted amount of Kshs. 381,103,425 resulting in a short fall of kshs. 93,870,771 or 25%. Further the council actual expenditure for the year amounted to Kshs. 303,411,935 against budgeted expenditure of Kshs. 349,512,426 resulting into under absorption of Kshs.46,100,491 or 13%.

570. The revenue under-collection and the under-spending affected the planned activities and may have impacted negatively on service delivery to the public.

Management response

571. The committee was informed that, the Council experienced reduced revenue collection as a result of Covid-19 pandemic which restricted movement hence low compliance rate.

572. **Committee observation**

i) The under absorption of Kshs.46,100,491 may have affected the planned activities and might have impacted negatively on the service delivery to the public.

ii) The Council relies on unrealistic projections of revenue and expenditure leading to underperformance of the budget.

590. **Committee Recommendations**

The accounting officer should ensure at all times that the budgets are realistic, achievable and always adhere to annual work plans, procurement plans and revenue collection schedules.

FY 2020/2021

591. **Unqualified Report**

592. **Committee observation**

The Council was issued with Unqualified report for the Financial Year 2020 – 2021.

593. **Committee Recommendation**

The Accounting Officer should at all times maintain proper and accurate budgetary projections and continue upholding good accounting practices.