



Approved for tabling
SNA
6/12/23

REPUBLIC OF KENYA
THIRTEENTH PARLIAMENT- SECOND SESSION

THE NATIONAL ASSEMBLY

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

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

DIRECTORATE OF AUDIT, APPROPRIATIONS & OTHER SELECT
COMMITTEES

THE NATIONAL ASSEMBLY

PARLIAMENT BUILDINGS

NAIROBI
2023


 THE NATIONAL ASSEMBLY PAPERS Laid		<u>DECEMBER,</u>
DATE: 06 DEC 2023		DAY: Wednesday
TABLED BY:	Hon. Wanjum Wamboka (Chair person, PIC on Governance & Education)	
CLERK AT THE TABLE:	Mado	
RECEIVED		
SPEAKER'S OFFICE P. O. Box 41842, NAIROBI.		

TABLE OF CONTENTS

TABLE OF CONTENTS	ii
LIST OF ABBREVIATIONS/ACRONYMS.....	iii
CHAIRPERSON'S FOREWORD	iv
EXECUTIVE SUMMARY	vi
1.0 PREFACE	vii
1.1 Establishment and Mandate of the Committee.....	vii
1.2 Committee Membership	i
1.2 Committee Secretariat	x
1.3 Committee proceedings.....	x
2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS	1
CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF STATE CORPORATIONS (CENTRAL)	6
3.0 NYANDARUA NATIONAL POLYTECHNIC	6
4.0 GATANGA TECHNICAL AND VOCATIONAL COLLEGE	22
5.0 MATHENGE TECHNICAL TRAINING INSTITUTE	33
6.0 TETU TECHNICAL AND VOCATIONAL COLLEGE	39
7.0 MATHIOYA TECHNICAL AND VOCATIONAL COLLEGE.....	46
8.0 MUKURWE-INI TECHNICAL TRAINING INSTITUTE	67
9.0 KIENI TECHNICAL AND VOCATIONAL COLLEGE	78
10.0 RUNYENJES TECHNICAL AND VOCATIONAL COLLEGE	85
11.0 KAMUKUNJI TECHNICAL AND VOCATIONAL COLLEGE	100
12.0 PC KINYANJUI TECHNICAL TRAINING INSTITUTE	105
13.0 THIKA TECHNICAL TRAINING INSTITUTE	109
14.0 NGONG TECHNICAL AND VOCATIONAL COLLEGE	126
15.0 MULTI-MEDIA UNIVERSITY.....	138
16.0 KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY	153
i. <i>Gatundu South Technical Training Institute (TTI)</i>	160
ii. <i>Nachu Technical Training Institute (TTI)</i>	161
iii. <i>Lari Technical Training Institute (TTI)</i>	161
iv. <i>Limuru Technical Training Institute (TTI)</i>	162
17.0 GATUNDU SOUTH TECHNICAL AND VOCATIONAL COLLEGE.....	179
18.0 KIIPIPIRI TECHNICAL AND VOCATIONAL COLLEGE	190
19.0 MICHUKI TECHNICAL TRAINING INSTITUTE.....	205
20.0 KENYATTA UNIVERSITY.....	215

LIST OF ABBREVIATIONS/ACRONYMS

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

CHAIRPERSON'S FOREWORD

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

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

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

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

This report contains observations, findings and recommendations arising from examination of reports of the Auditor-General for eighteen (18) state corporations for three financial years running up to the latest, 2020/21 FY. The report is structured as follows:

- i) general observations arising from recurring and cross-cutting audit queries;
- ii) recommendations to each of the above;
- iii) audit queries identified by the Auditor General in the audit reports of each state corporation;
- iv) management responses to each of the queries;
- v) Committee observations/ findings on each query; and
- vi) recommendations of the Committee to each query raised.

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

The Committee appreciates the Offices of the Speaker and the Clerk of the National Assembly for the support accorded to it to enable it to perform its mandate. The Committee further extends its appreciation to the Office of the Auditor-General for the services it offered to the

Committee during the entire period, as well as those Accounting Officers who complied with audit timelines, and provided satisfactory responses to queries raised.

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honour to present to the 1st Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for eighteen (18) State Corporations.

HON. WANAMI WAMBOKA, M.P.

**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND
EDUCATION**

EXECUTIVE SUMMARY

The 3rd Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of Eighteen (18) State Corporations.

In its examination and scrutiny of the audited financial statements of the various State Corporations, the Committee's primary approach was to elicit background information as to why particular course of financial and/or management actions were or were not taken. This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, 2015, the Public Finance Management Act, 2012 and the attendant Regulations, the Public Procurement and Asset Disposal Act, 2015 and the attendant Regulations, the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) relevant for commercial state corporations.

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

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

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

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

1. The Public Investments Committee on Governance and Education is established under the National Assembly Standing Order (S.O.) 206 and is responsible for the examination of the working of public investments based on their audited reports and accounts. It is mandated to-
 - i. examine the reports and accounts of the public investments;
 - ii. examine the reports, if any, of the Auditor-General on the public investments; and
 - iii. examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.
2. The Committee in considering the Audited accounts of State Corporations is guided by the Constitution of Kenya and the following statutes and codes/regulations in undertaking its mandate: -

a) Chapter Twelve of the Constitution on Public Finance

Part I-Principles of Public Finance

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

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

Part 6-Control of Public Money

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

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

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

the Public Finance Management Act, No. 18 of 2012

Section 68 sets out the responsibilities of accounting officers for national government entities, Parliament and the Judiciary. This includes accountability to the National Assembly for ensuring that the resources of the respective entity

for which he or she is the accounting officer are used a lawful, authorized, effective, efficient, economical and transparent manner (section 68(1)).

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

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

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

1.3 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, M.P.
Bumula Constituency
DAP-K Party

Vice Chairperson

The Hon. Naisula Lesuuda, OGW, MP
Samburu West
Kenya African National Union (KANU)

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

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

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

The Hon. James Wamacukuru, MP.
Kabete Constituency
UDA Party

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

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

The Hon Alfa Miruka, MP
Bomachoge Chache Constituency
UDA Party

The Hon. Bonaya Gollo, MP
Isiolo County
Jubilee Party

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

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

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

The Hon. Chiforomodo Munga, MP
Lungalunga Constituency
UDM Party

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

1.2 Committee Secretariat

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

Ms. Christine Ndiritu

Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi

Clerk Assistant III

Ms. Jane Ouko

Clerk Assistant III

Mr. Moses Mwariri

Legal Counsel II

Ms. Eunice Liavuli

Research Officer III

Mr. Edwin Machuki

Fiscal Analyst III

Ms. Georgina Okoth

Research Officer III

Mr. Collins Mahamba

Audio Officer

Mr. Albert Atunga

Sergeant at Arms

Mr. Jared Onyancha

Protocol Officer

Mr. Derrick Kathurima

Media Relations Officer

1.4 Committee proceedings

5. To produce this report, the Committee held eighteen (18) sittings in which it examined the audited financial statements of eighteen (18) State Corporations and the accompanying Reports by the Auditor-General.
6. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, the Committee heard and received both oral and written evidence from Vice Chancellors, Chief Principals and Principals (Accounting Officers) of various State Corporations and other relevant witnesses.
7. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report on each of the State Corporations examined.
8. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in State Corporations and the public investments made in the governance and education sectors as a whole.

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

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

2.1 Quality of the Auditor General's reports

10. The committee places responsibility on the Office of the Auditor General for the quality of audit reports tabled in the House. It has come to the committee's attention that pertinent matters that should have been highlighted in these reports were not raised by the Auditor General.
11. During site visits to various institutions, the committee raised concerns related to construction projects and their implementation and management. Kenyatta University, for instance, had three (3) stalled projects at the foundation level worth Kshs.616,427,834. The committee could, however, not ascertain whether the institution obtained value for money for the expended funds. The committee noted that the above issues had not been adequately raised in the audit reports.
12. The committee also noted that various officers had been serving in acting capacity beyond the stipulated timelines. Critical positions, including that of a Chief Finance Officer, ought to be filled as soon as possible to allow for efficiency and accountability in these institutions. Multimedia University for instance, did not have a substantive Chief Finance Officer since 2015. This is contrary to the provisions of Section 34(3) of the Public Service Commission Act 2017 which stipulates that public officers should serve in acting capacity for a period of at least thirty (30) days but not exceeding a period of six (6) months. This was, however, not raised in the Auditor General's report for Multimedia University.
13. The Committee recommends that the Office of the Auditor General should improve on the thoroughness of audit reports, ensuring that critical audit issues are diligently and comprehensively addressed and reported, to enhance the accountability and effectiveness of the audit process, failure to which the relevant officer(s) in the Office of the Auditor General shall be surcharged as prescribed under Section 61 (2) of the Public Audit Act, 2015.

2.2 Governance and Administration Structure

14. The Committee observed a peculiar governance and management situation at Kiambu Institute of Science and Technology (KIST). It was observed that KIST operates under the management of two distinct boards, namely, the Board of Trustees and the Board of Governors. The TVET Act of 2013 vests the responsibility for managing all TVET institutions to the Board of Governors.
15. Of particular concern is the situation regarding the institute's land ownership. The Board of Trustees holds 200 acres of land in trust for the institution. However, following the enactment of the TVET ACT, 2013, it is required that all the property of the institute be transferred in the name of KIST and be managed by the Board of Governors. The Board of Trustees has, however, relinquished only 70 acres of this land.
16. The committee further noted with concern that the Registered Board of Trustees obtained a loan totaling Kshs. 20million for its sole use. The loan was secured by a fixed and floating debenture on all the assets of KIST.
17. The committee recommends that -
 - i the board of trustees be declared persona non grata. They should henceforth cease to interfere in the matters of the Institute. The committee further recommends that the board of Governors takes the necessary steps to ensure that the property of the Institute is vested in the name of Kiambu Institute of Science and Technology as provided for in the TVET Act, 2013.
 - ii the governance structure of the institute be restructured in accordance with the provisions outlined in the TVET Act of 2013, so as to have the government interest represented by the Board of Governors, Cabinet Secretaries of the National Treasury and the Ministry of Education.

2.3 Understaffing in TVET Institutions

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

19. The committee also noted an inequitable allocation of resources in TVETs, with some regions having well-equipped institutions while others have dire situations with limited to deteriorating facilities.
20. The Committee recommends that –
 - i. the establishment of new Technical and Vocational Education and Training (TVET) institutions be suspended until the existing ones are upgraded to meet requisite standards. This will enhance the quality of education and training offered, contributing to workforce improvement and national competitiveness, prioritizing resource consolidation and education optimization.
 - ii. neglected regions in the TVET sector are prioritized in resource allocation to address underfunding and improve infrastructure. Adequate funding would attract and retain highly qualified instructors, thereby enhancing the quality of education.

2.4 Poor accounting standards and general incapacity of some accounting officers

21. The Committee noted that due to previous lack of exposure to the audit process culminating in parliamentary consideration, some accounting officers were ignorant of/ or non-compliant with the various provisions of the PFM Act, 2012 and Public Audit Act, 2015. Audit queries spanning as far back as FY 2018/19 remained unresponded to by some agencies who were only jolted to action once invited by the Committee. Most severe was Mathioya TVC that relied on a trainer as its volunteer accountant, invariably resulting in unintended audit queries.
22. The Committee recommends that the National Treasury and the Office of the Auditor-General conducts annual sensitization and capacity building for all accounting officers and finance staff in State Corporations on their responsibilities during the audit cycle and adherence to IPSAS.

2.5 Late submission of supporting documentation

23. The Committee observed that some accounting officers failed to submit supportive documentation to the Auditor-General on time (during the audit cycle) as required under section 68 of the PFM Act. This invariably led to the Committee discussing matters that should ordinarily not feature in the final report, some as mundane as accounts not balancing.
24. The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers that fail to adhere to requirements of the law in this regard.

2.6 Unsecured/ untitled land holdings

25. The Committee also observed cases where land held by various institutions were not secured and titled accordingly. This led to encroachment in some cases, with the potential of eventual forfeiture or loss.
26. The committee took note of the fact that many state corporations had illegal encroachments on their land. For instance, Kenyatta University has faced a situation where 140 acres of its land has been encroached upon by illegal squatters. Despite a court ruling in favour of the university, these squatters have persisted on the property, even constructing buildings and earning rental income from the unlawfully acquired parcels of land.
27. The Committee recommends that -
 - i. the National Land Commission and the relevant ministries immediately ensures that all State Corporations secure titles to all their parcels of land. These institutions and the National Treasury must also prioritize fencing off all land holdings to forestall further encroachment. The Committee recommends that encroachers are evicted and consequently charged in court.
 - ii. the Attorney General puts together a multi-agency team with the mandate to initiate the process of reclaiming land that has been encroached upon by squatters, like the case of Kenyatta University. Furthermore, the Attorney General should collaborate closely with affected state corporations, universities, and institutions to streamline efforts and provide the necessary legal and logistical support for a successful resolution of land encroachment issues.

2.7 Long outstanding construction works

28. The Committee encountered cases where construction projects in some State Corporations had taken inordinately long to complete, leading to escalating costs through accrued interest and prolongation costs.
29. The Committee recommends that the National Treasury should only approve projects that it can guarantee funding and completion within the medium-term economic framework.

2.8 Expensive consultancies

30. Related to long outstanding constructions works discussed above, the Committee observed that some projects had huge components for consultancies for project conception (architectural drawings) and supervision. Given that the consultants deliver their project designs before-hand, public agencies are forced to pay them upfront, from meagre resources

that would otherwise be directed towards construction. This state of affairs has been compounded by a weak public works function that would ordinarily oversee public projects.

31. The Committee recommends that the Ministry responsible for public works revamps the Public Works Department and employs adequate and competent staff. Moreover, certain technical institutions including the Kenya Technical Training College (KTTC) undertake technical training in public works related technical skills and may assist the government in the management of government projects. The relevant Departmental Committee should consider amending the Public Procurement and Assets Disposal Act, 2015 to provide for first priority consideration of government agencies that have capacity to provide certain services.

2.9 Failure to adhere to gender, ethnicity and regional balance

32. Several institutions had skewed ethnic diversity within their staff complement especially at the senior management level. This was especially manifested in those agencies domiciled in areas predominantly inhabited by a particular ethnic community. These reports highlight concerns about the underrepresentation of certain ethnic groups, unfair employment practices, and potential discrimination in recruitment, promotion, and other employment-related processes. Despite explanations from Accounting Officers that the lack of diversity was prevalent in the lower cadres, the Committee is of the view that with the rife unemployment countrywide, attracting an ethnically diverse pool of applicants for advertised jobs was tenable.
33. The Committee recommends that -
 - i. all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, No. 12 of 2008.
 - ii. the TVET Act 2013 be amended to grant these institutions the authority to engage with the public service commission during the hiring process for the 50 percent allocated to the board of governance.
 - iii. the National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

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

3.0 NYANDARUA NATIONAL POLYTECHNIC

34. Mr. Felix Mung'atu, The Chief Principal, accompanied by;

- i) Ms. Monica Ndirangu – Finance Officer
- ii) Mr. Nicholas Kamau - Accountant

Appeared before the Committee to adduce evidence on the audited accounts of Nyandarua National Polytechnic, on 14th June 2023.

Audited statements for Financial Year 2018/19

3.1.1 Errors in the Annual Reports and the Financial Statements

- 35. The annual reports and the financial statements prepared and presented for audit had the following errors:
- 36. Management discussion and analysis section of the report reflects expenditure of Kshs.10,291,086 instead of Kshs.12,839,294 as disclosed under Note 10 to financial statements;
- 37. The statement of financial position makes reference to "quarterly" financial statements set out on pages 1 to 5 which were signed on behalf of Board of Directors instead of Board of Governors.
- 38. Summary of significant accounting policies under taxes paragraph does not indicate the schedule number and the relevant Act;
- 39. Note 32 on cash generated from operations omits comparative figures for financial year 2017/2018
- 40. Appendix III on Inter Entity Transfers at page 32 should have been referenced as appendix I; and
- 41. There is no disclosure of depreciation and amortization policy under significant accounting policies despite Note 17 to the financial statements disclosing depreciation for various categories of the Institute's property, plant and equipment.

Management Response

- 42. All the above errors have been corrected.

Committee Observations

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

Committee Recommendation

44. **The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.**

3.1.2 Variances between financial statements and ledgers

45. The following variances were noted between reported financial statements figures and the supporting ledgers as detailed below;

Component	Financial Statements (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
General Expenses	95,890,946.00	87,386,188.00	8,504,758.00
Receivable from Exchange Transactions	94,380,281.00	39,809,326.55	54,570,954.45
Property, Plant and Equipment	346,939,536.00	346,556,608.00	382,928.00

Management Response

46. The above variances between Financial Statements and Ledger balance were corrected.

Committee Observations

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

Committee Recommendation

48. **The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.**

3.1.3 Unsupported balances

49. The financial statements reflected balances that were not supported by way of ledgers and detailed schedules as shown below:-

Component	Amount (Kshs.)
Rendering Services	153,306,838
Other income -Farm Income	1,403,337
Refundable Deposits from Customers	1,527,892
Deferred Income	5,564,753
Total	161,802,820

In the circumstances the accuracy and completeness of the financial statements as prepared and presented for the year ended 30 June, 2019 could not be confirmed.

Management Response

50. The management has amended the financial statements and now they reflect the correct position.

Committee Observations

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

Committee Recommendation

52. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.4 Property, plant and equipment

53. The statement of financial position reflects Property, Plant and Equipment balance of Kshs.346,639,536 and as disclosed under Note 17 to the financial statements. However, the following unsatisfactory matters were noted;
54. Land Ownership; included in the balance is land value of Kshs.200,000,000 whose ownership and valuation could not be established as the title deed and valuation report were not provided for audit review.

55. Buildings; Buildings balance of Kshs.123, 306,549 were unsupported by way of valuation reports or engineers' certificates of completion.
56. Machinery- donated farm machines; the following farm machinery; three (3) tractors 40HP, 80HP and 120HP donated to the Institute lacked the following documents; proof of delivery, committee inspection and acceptance reports, registration numbers and proof of insurance for the year.

Management Response

57. The 100 acres land occupied by the Institute was excised from the KARI Ol-joro-orok vide the Director's letter dated 6th February 2008. KARI is in the process of acquiring the mother title deed after which we will pursue the acquisition of the Institute's title for the 100 acres. We are in constant communication with KARI to expedite the processing of the title. The issue has been taken up by sub county administration in liaison with the land registrar. For valuation of Buildings, the Institute is in the process for valuation of all the PPE.
58. For valuation of Buildings, the Institute is in the process for valuation of all the PPE.
59. The process is ongoing through the line Ministry and we have communicated as per attached letter. The Institute has already started using the machines by cultivating our Institute farm and also learning by the students.

Committee Observations

60. The Committee observes that the county government and the donor of the land, KARI, had since commenced processing of the mother title to enable sub-division. The land would subsequently be valued.
61. The donated machinery was awaiting documentation from the state department, to enable insurance. Their continued use however exposed the institution to potential losses should an accident occur.

Committee Recommendation

62. **The Committee recommends that -**
 - i. the Accounting Officer follows up with the county government and KARI to ensure expedited sub-division of the land, by 31st December 2023. Valuation should then be completed within three months.
 - ii. the machinery should not be used until requisite documentation are obtained from the state department within one month, and insurance obtained immediately thereafter.

3.1.5 Transfers from other government entities- Government grants

63. The statement of financial performance reflects GoK recurrent grants of Kshs.5, 956,660 ;(2017/2018-Kshs.24, 000,000) and as disclosed under Note 6 to the financial statements. However, confirmations from the grantor, the State Department for Vocational and Technical Training reflects disbursement of Kshs.8, 570,155 resulting to an unexplained variance of Kshs.2, 813,605.
64. In the circumstances, the accuracy and completeness of the GoK recurrent grants of Kshs.5,956,660 for the year ended 30 June, 2019 could not be confirmed.

Management Response

65. The summary of disbursements from the State Department for Vocational and Technical Training had now been provided.

Committee Observations

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

Committee Recommendation

67. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.6 Inter entity transfers

68. The Inter-entity transfers discloses capital/development grants of Kshs.4, 273,625. However, the amount has not been incorporated in the statement of changes in net assets for the year.
69. In the circumstances, the accuracy and fair statement of the statement of capital development grant balance of nil as at 30 June, 2019 could not be confirmed.

Management Response

70. The development grants for Nyandarua Institute of Science and Technology was Kshs 1,273,625. The rest was for mentored institutions.

Committee Observations

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

Committee Recommendation

72. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.7 Budgetary control and performance

73. The statement of comparison of budget and actual amounts reflects final total income budget and actual on comparable basis of Kshs.121, 997,173 and Kshs.160, 350,435 respectively resulting to over collection of Kshs.38, 353,262 or 31.4% of the budget. The favourable performance is attributed to over collections from rendering of services-fees from students by Kshs.61, 508,665 against the budget of Kshs.91, 798,173.

Management Response

74. This was due to the significant change in student enrolment beyond the expected number, specifically from the National Youth Service.

Committee Observations

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

Committee Recommendation

76. The Committee recommends that the Accounting Officer henceforth conducts periodic budgetary reviews.

3.1.8 Gaps in human resource management

77. The following unsatisfactory matters were observed in respect to management of human resources:
78. The staff establishment records were not provided for audit review, contrary to Section 5.3. of the Institute's Strategic Plan 2016-2021;
79. There was no evidence of an established human resource department contrary to Section 6 of its Strategic Plan 2016-2021;
80. The Job groups/grades in the payroll were inconsistent with those in the salary structure;
81. There was no evidence of provisions for promotion for some of the staff cadres including; cooks, drivers, clerical personnel, customer care personnel, office assistants, accountants, human resource and administration personnel, nurses/clinical officers, library personnel and technicians;
82. Eleven (11) trainers on contract were appointed for three (3) to four (4) months period contrary to the Institute's Human Resource Manual 2016 under Section 3.4.2 which states that such appointments shall be for a period not less than 6 months;

83. There was no evidence that the staff had annual leave nor leave allowance contrary to laid down regulations on annual leave in the Institute's Human Resource Manual 2016.

Management Response

84. The polytechnic has implemented the strategic plan 2021-2026. Attached is the staff establishment as at April 2021.
85. The institution employed a Human Resource Officer in February 2021 who operationalized the Human Resource Department. Attached is the appointment letter.
86. The error was corrected and all job groups were aligned as per SRC rates which the institution adopted as our salary structure.
87. After the adoption of the Human resource policy 2021, all staff were aligned as per the policy in their respective cadres.
88. The clause highlighted was reviewed in the Human Resource Policy and Procedures manual 2021 Section 4.12.
89. The institution grants staff leave and pay leave allowance once in a year.

Committee Observations

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

Committee Recommendation

91. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.9 Risk management policy

92. The Institute does not have a risk management strategy in place which encompasses the approved processes and guidelines on how to mitigate operational, legal and financial risks. This is contrary to Treasury Circular No. 3/2009 of 23 February, 2009 which requires accounting officers to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

Management Response

93. The Polytechnic has now developed Risk Management Policy.

Committee Observations

94. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, and had been furnished with the policy.

Committee Recommendation

95. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.10 Internal audit function and committee

96. There is no evidence to confirm that the Institute had a functional internal audit function and committee in place. Consequently, I am unable to confirm the management's effectiveness in risk management, internal control and overall governance processes.

Management Response

97. The Polytechnic has Risk and Audit Policy and Committee that ensures that Risk management policy is implemented.

Committee Observations

98. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, and had been furnished with the evidence of the policy and presence of the internal audit committee.

Committee Recommendation

99. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.11 IT Strategic plan

100. The Institute does not have an IT strategic plan in place to guide its IT related decision making processes, as well as business continuity and disaster recovery plans.
101. Consequently, the likelihood of immediate recovery in the event of disaster could not be confirmed.

Management Response

102. The Polytechnic has since developed the IT Strategic Plan.

Committee Observations

103. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, and had been furnished with the IT Strategic Plan.

Committee Recommendation

104. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

105. All audit queries in the subject financial year were recurring from the previous financial year. The Committee reiterates its observations and recommendations on the same.

Audited statements for Financial Year 2020/21

3.1.12 Unsupported land balance

106. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.13 Unsupported building balance

107. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.14 Lack of an asset register

108. The Institution does not maintain an asset register indicating original cost, additions for the year, accumulated depreciation brought forward and the net book values, Therefore the source of the balances as disclosed in the asset movement schedule at Note 1.8 to the financial statements could not be accurately verified.

Management Response

109. The Institution has now developed fixed asset register which has details of the asset and had procured an ERP system and will install asset management module with availability of funds.

Committee Observation

110. The Committee observes that the matter had been resolved as the Auditor-General had been furnished with the register.

Committee Recommendation

111. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.15 Undisclosed assets received from the Ministry of Education

112. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.16 Undisclosed assets acquired from a food company

113. During the year under review, the Institution acquired two production machines from a food company at a cost of Kshs.508,500 each. However, the machines have not been included in the asset register as part of the assets of the Institution.
114. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.382,597,817 could not be confirmed.

Management Response

115. The Institution has updated the fixed asset register for the machines and in the PPE schedule.

Committee Observations

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

Committee Recommendation

117. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.17 Unsupported payment to casual workers

118. The statement of financial performance reflects employees cost amount of Kshs.22,817,207 as disclosed in Note 12 to the financial statements. However, included is Kshs.1,540,871 incurred on payment of casual workers which is not supported with muster rolls, letters of engagement and daily work registers.
119. In the circumstances, the accuracy and completeness of the expenditure on the casual workers of Kshs.1,540,871 could not be confirmed.

Management Response

120. The institution engages casuals on daily basis when need arises after approval, hence there are no letters of engagement. The institution uses a register where the casuals sign daily when they report and leave. There is also a casual register where the supervisor fills and submits the same during payments requisition. Payments are done after the task completion where their supervisor requests the payments, follows the due process of approval and paid to the individual's bank accounts.
121. The Human Resource Procedures Manual in 4:13 guides on casual appointments.

Committee Observations

3.1.16 Undisclosed assets acquired from a food company

113. During the year under review, the Institution acquired two production machines from a food company at a cost of Kshs.508,500 each. However, the machines have not been included in the asset register as part of the assets of the Institution.
114. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.382,597,817 could not be confirmed.

Management Response

115. The Institution has updated the fixed asset register for the machines and in the PPE schedule.

Committee Observations

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

Committee Recommendation

117. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.17 Unsupported payment to casual workers

118. The statement of financial performance reflects employees cost amount of Kshs.22,817,207 as disclosed in Note 12 to the financial statements. However, included is Kshs.1,540,871 incurred on payment of casual workers which is not supported with muster rolls, letters of engagement and daily work registers.
119. In the circumstances, the accuracy and completeness of the expenditure on the casual workers of Kshs.1,540,871 could not be confirmed.

Management Response

120. The institution engages casuals on daily basis when need arises after approval, hence there are no letters of engagement. The institution uses a register where the casuals sign daily when they report and leave. There is also a casual register where the supervisor fills and submits the same during payments requisition. Payments are done after the task completion where their supervisor requests the payments, follows the due process of approval and paid to the individual's bank accounts.
121. The Human Resource Procedures Manual in 4:13 guides on casual appointments.

Committee Observations

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

Committee Recommendation

123. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.18 Unsupported payments to contractual employees

124. The amount also includes Kshs.14,885,215 in respect of basic pay which includes payments of contractual employees of Kshs.5,941,010, however, the expenditure has not been supported by letters of engagement on contractual terms approved by the Council and renewal letters as evidence of authority to work beyond the contractual terms.
125. In the circumstances, the accuracy and completeness of the expenditure on the employees' cost of Kshs.22,817,207 could not be confirmed.

Management Response

126. The institution has an approved Human Resource Policy and Procedures Manual 4.12.3 & 4.12.4 which guides on renewal of contracts upon expiry. Employees on contract terms are required to apply to the principal requesting for renewal from the Principal before the contract expiry. Renewal is based on need and performance and availability of the employee.
127. The Council approves the renewal of Governing Council contractual employees.

Committee Observations

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

Committee Recommendation

129. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.19 Undisclosed revenue from exchange transaction

130. The statement of financial performance reflects rendering of services of Kshs.81,010,740 as disclosed Note 8 to the financial statements. Examination of the receipt documents provided for audit revealed that the Institution received Kshs.1,225,500 and Kshs.163,400 for application fees and student identification card respectively from new students joining the

College, however, the two (2) sources of revenue have not been recognized and disclosed in the financial statements under rendering of services.

131. In the circumstance, the accuracy and completeness of an amount of Kshs.81,010,740 could not be confirmed.

Management Response

132. Rendering of services of Kshs 81,010,740 included Registration fee of Kshs 1,797,400 that comprised of Application fee (KUCCPS Validation fee) of Kshs 1, 225, 500, Students Identification fee of Kshs 163,400 and Registration Fee of Kshs 408,500.

Committee Observations

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

Committee Recommendation

134. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.20 Unaccounted for transfers to Kinangop Technical and Vocational College

135. The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services of Kshs.79,191,594 which includes transfers to Kinangop Technical and Vocational College of Kshs.4,315,000 being student capitation and operational grants from the Ministry of Education to Kinangop TVC via Nyandarua National Polytechnic (Mentor Institution physical verification at the Kinangop Technical Vocational College on 12 May, 2022 failed to confirm the receipt and utilization of Kshs.4,315,000 meant for the Institute since no cash book or expenditure ledgers were provided for audit review
136. In the circumstances, it was not possible to confirm that the funds were transferred and that they were utilized for the intended purpose.

Management Response

137. The Government Recurrent Grants /Capitation of Kshs 4,315,000 was fully received & transferred to Kinangop TVC during FY 2020/21.

Committee Observations

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

Committee Recommendation

139. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.21 Unsupported biological assets amount

140. The statement of financial position reflects biological assets balance of Kshs.370,000 as disclosed under Note 20 to the financial statements. However, the balance has not been supported by valuation reports and an asset register showing the nature of the assets and their respective book values.
141. In the circumstance, the accuracy and completeness of the biological assets balance of Kshs.370,000 could not be confirmed.

Management Response

142. By the end of FY 2020/21, the Institution had biological assets totalling to Kshs. 370,000.

Committee Observations

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

Committee Recommendation

144. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.22 Unsupported receivables from exchange transaction

145. The statement of financial position as at 30 June, 2021 reflects current portion of receivables from exchange transactions of Kshs.28,359,096 as shown in Note 17 to the financial statements.
146. The figure has increased from Kshs.12,819,238 reported in 2019/2020 financial year, indicating an increase of Kshs.15,539,858 or more than 100%. Analysis of the receivables account against the fees paid shows that students with outstanding balance of Kshs.21,769,836 have graduated without clearing the fees balances. In addition, the Institution does not have debtors ageing analysis and no provision for bad and doubtful debts has been reported in the financial statements to cater for the loss of funds that may occur in future.
147. In the circumstances, the accuracy and recoverability of outstanding students' fees could not be confirmed.

Management Response

- 148. The increase of Kshs 15,539,858 was due to NYS students whose fee payment was not paid in time.
- 149. The analysis of the receivables account with an outstanding amount of Kshs 21,769,836.55 includes NYS students who are under Government exchange program and clear in the subsequent years.
- 150. The Institution has procured ERP system which has debtors ageing analysis. Also, the Institution has Financial Management Policy and Procedures Manual.

Committee Observations

- 151. The Committee observes that despite the institution availing the schedule and payment receipt, the Auditor-General had not been furnished with the bank statements.

Committee Recommendation

- 152. The Committee recommends that the Accounting Officer avails the bank statements for verification by auditors in the subsequent audit cycle.

3.1.23 Cash and cash equivalent

- 153. The statement of financial position and as disclosed in Note 16 of the financial statements reflects a balance of Kshs.100,450, 045 in respect of cash and cash equivalents. However, bank reconciliation statements for Co-operative Bank provided for audit, reports un-presented cheques of Kshs.2,269,640. Evidence provided indicates that Kshs.1,211, 545 has been presented to bank and cleared leaving a balance of Kshs.1,058,095 indicated as cancelled without reversing in the cash book. In addition, reconciliation statements of the Co-operative Bank reports balance as per bank statements as at 30 June, 2021 is Kshs.4,890,642 while the certificate of bank balance indicates a figure of Kshs.4,988,642 as balance as at 30 June, 2021. The difference between the two amounts of Kshs.98,000 has not been reconciled.
- 154. In the circumstance, the accuracy of the cash and cash equivalents balance of Kshs.100,450,045 could not be confirmed.

Management Response

- 155. Management had revised the bank reconciliations for the year ended 30 June, 2021 and updated the status of un-presented cheques.

Committee Observations

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

Committee Recommendation

157. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.24 Budgetary control and performance

158. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.25 Unregistered trainers

159. The Review of individual personnel files show that none of the contracted trainers has been registered with the Technical and Vocational Education Training Board Contrary to section 23(1) of the technical and vocational Education and training Act, 2013 which states that any person who intends to become a trainer in an institution shall apply for licensing and registration by the Technical and Vocational Education Training Board. In the circumstance management was in breach of the law.

Management Response

160. The Institution did not contract trainers registered with the TVET Board. Going forward the institution has been encouraging trainers to register. The management forwarded communication from TVET/CDACC circulars requiring all trainers to register with TVETA Authority. Further the management has required all the trainers without pedagogical skills to attend such courses at KTTC as it is a mandatory requirement in registration. Some of the trainers have joined the KTTC and are undergoing training having been given study leave.

Committee Observations

161. The Committee observes that the institution had since ensured certification of all their trainers by KTTC, with some currently ongoing training.

Committee Recommendation

162. The Committee recommends that the Accounting Officer ensures certification of all trainers within three months of adoption of this report by the House.

3.1.26 Weaknesses in cash management

163. Review of payments records at the Institute revealed that officers got cash advances to undertake travelling, transport and accommodation expenses including procurement of general office items. In the alternative, officers were reimbursed expenses incurred in the course of duty. It was observed that the Management does not use imprest system to finance its activities.

164. Travel and accommodation expenses are funded through cash and claims for reimbursement as opposed to imprest system. Which contravenes. Regulation 93 of the Public Finance Management (National Government) Regulations, which requires a hold of a temporary imprest to account or surrender the imprest within seven days after returning to the duty station.
165. In the circumstances, Management was in breach of the law.

Management Response

166. The Polytechnic complied with the law because money was issued through manual imprest and was surrendered in time. However, the Institution has put in place ERP system that supports imprest warrants and surrender.

Committee Observations

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

Committee Recommendation

168. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

3.1.27 Weak Information Technology Controls

169. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.28 Lack of risk management and fraud policies

170. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

3.1.29 Lack of inventory management system

171. The Institution does not have an inventory control management system. The mechanism used does not give accurate stock operation reports on a quarterly basis or at the end of the year. It is therefore difficult to monitor the stock movement and determine the stock-out and the re-order level of stock for replenishment. Further, there is no evidence of periodic reports from and to the stores after carrying out inspection.
172. In the circumstances, the Inventory Management System is prone to errors.

Management Response

173. The Institution did not have an Inventory Management System by then. However, the Institution had now procured an ERP system which shall be used in management of inventory and stock operational reports.

Committee Observations

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

Committee Recommendation

175. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.0 GATANGA TECHNICAL AND VOCATIONAL COLLEGE

176. Mr. Jeremiah Mugo, Senior Principal, accompanied by;

- i) Ms. Esther Mwendwa- Board of Governor
- ii) Mr. Isaac Mthiga- Finance Officer

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

Audited statements for Financial Year 2018/19

4.1.1 Unaudited opening balances and comparative figures

177. Section 47 of the Public Audit Act, 2015 provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the account relate. However, Management did not submit the financial statements for the year ended 30 June, 2018 to the Auditor General for audit.
178. Consequently, the validity, completeness and accuracy of the opening balances of assets, liabilities and reserves totalling Kshs.506,284, Ksh.107,609 and Ksh.398,675 respectively could not be confirmed.

Management Response

179. This was the first audit as the college was established in January, 2018 and therefore the opening balances of assets, liabilities and reserves totalling to Kshs.506,284, Kshs.107,609, and Kshs.398,675 respectively were the closing balances for the last six months ending 30th June 2018 which were not audited and the institution was under a mentor Michuki TTI. The management has committed to be submitting yearly financial statements to be audited.

Committee Observations

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

Committee Recommendation

181. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.2 Unsupported expenditures on remuneration of Directors

182. The statement of financial performance reflects an expenditure of Ksh. 578,000 in respect of remuneration of directors as disclosed in Note 10 to the financial statements. However, included in the expenditure is an amount of Ksh.192,000 paid on board members who attended a four days induction course in Nakuru, for which supporting documents including signed attendance list, bus fare tickets or work tickets were not provided.
183. As a result, the validity and propriety of the expenditure of Ksh.192,000 could not be confirmed.

Management Response

184. There was the issue of unsupported expenditure on remuneration of Directors and Local Transport and Travel during the Board induction which was held in Nakuru. Payment vouchers, invitation letters, induction photo, minutes approving allowances and attendance list had now been availed.

Committee Observations

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

Committee Recommendation

186. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.3 Undisclosed and unvalued non-current assets

187. The statement of financial position does not reflect any balance in respect of non-current assets. However, the College's assets register reflected unvalued assets including parcel of land, several buildings, laboratory equipment, machinery, furniture and fittings which were not disclosed in the financial statements.

188. Consequently, the accuracy of the nil balance for non-current reflected in the financial statement could not be confirmed.

Management Response

189. The college had received machines, equipment, computers and furniture from the ministry of Education through AVIC International and there was no documentation about the values of the property, plant and Equipment. The land which the college stands is also occupied by two (2) other institutions i.e Ndunyu Chege Youth Polytechnic and Ndunyu Chege Dispensary is a trust land and lack title deed.
190. The college has initiated the process of valuation of all assets through a tender in addition to obtaining Bill of Quantity from Murang'a University who were in charge from tendering to completion of the building and furniture values from APICAH Furniture LTD/Ministry of Education procurement. The College has also established Asset Register where additions for subsequent years would be entered and it is posted to update the Asset.

Committee Observations

191. The Committee observes that despite valuation of equipment being done, the complete fixed assets register was therefore in abeyance.
192. The Committee further observes that the explanation that it was outrageous that the institution shared the compound with a village polytechnic and dispensary, with no boundary delimitations.

Committee Recommendation

193. The Committee recommends that the Accounting Officer ensures complete valuation of all equipment and avails a complete fixed assets register within a month of adoption of this report.
194. The Committee further recommend that the institution engages the county government on delimiting the land used by the three institutions, and obtains its title deed, within six months of adoption of this report.

4.1.4 Incomplete set of financial statements

195. The financial statements presented for audit did not include the statement of changes in net assets/equity. This is contrary to Paragraph 21(c) of International Public Sector Accounting Standards No. 1 – Presentation of Financial Statements which provides that a complete set of financial statements includes a statement of changes in net assets/equity.
196. In the circumstances, the set of financial statements presented for audit was not complete.

Management Response

197. The Institution sought services of a new nearby secondary school bursar who was able to prepare in accordance with IPSAS in many areas. We have ensured in all our subsequent audits that all sets of financial statement are presented without any omission through seeking help from the mentoring Institution i.e. Michuki T.T.I department of finance.

Committee Observations

198. The Committee observes that the institution, like many others observed in this report, was established without full human resource capacity, specifically accounts/finance staff, and relied on unqualified third parties to do its books. The institution was now compliant.

Committee Recommendation

199. The Committee recommends that the State Department for Technical and Vocational Training and Treasury ensures availability of qualified accounts, finance and internal audit staff in all TVETs, within six months of adoption of this report.

4.1.5 Budgetary control and performance

200. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Ksh.8,730,000 and Ksh.5,737,211 respectively resulting to an under-funding of Ksh.2,992,789 or 34% of the budget. Similarly, the College expended Ksh.4,239,730 against an approved budget of Ksh.8,420,000 resulting to an under-expenditure of Ksh.4,180,279 or 49% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.
201. In addition, the casted total for the budgeted expenditure was Ksh.8,420,000 instead of the Kshs.8,730,000 shown resulting into an unexplained variance of Kshs.310,000.

Management Response

202. There was underperformance whereby the actual receipts were Kshs. 5,737,211 against the budget on of Kshs. 8,730,000. The enrolment was below the budgeted one and not all the students were able to clear the fees as anticipated. We have corrected this by doing marketing to increase the enrolment as well as ensuring students apply for HELB funds in order to enable them clear the fees for the college to discharge its mandate effectively.

Committee Observations

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

Committee Recommendation

204. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.6 Hiring of unlicensed teachers

205. Review of records indicated that eleven (11) trainers, were hired. However, the status of the staff registration with the Technical and Vocational Training Authority as trainers could not be ascertained. This was contrary to Regulation 16(11) of the Technical and Vocational Education and Training Regulations, 2015 which requires that any person who intends to become, a trainer in a TVET institution should apply to the Authority for a trainers' license where the trainer has the training qualifications.
206. In the circumstance, Management was in breach of the law.

Management Response

207. This was as a result of employing some trainers who had no pedagogy due to limited resources the college received. We have ensured that the College employs trainers who have TVETA licenses in order to comply with the TVET Act. We have attached a number of those who have finished and ones who have enrolled.

Committee Observations

208. The Committee observes that the management had taken steps to rectify the anomaly.

Committee Recommendation

209. The Committee recommends that the Accounting Officer ensures that all trainers are certified, within three months of adoption of this report.

Audited statements for Financial Year 2019/20

4.1.7 Statement of changes in net assets

210. The statement of changes in net assets presented for audit is for the financial year 2018/2019 and comparative period figures for 2017/2018, instead of 2019/2020 and 2018/2019 respectively. Consequently, the accuracy and disclosure of the figures in the statement of Changes in Net assets for the year ended 30 June, 2020 could not be confirmed.

Management Response

211. There was an error in reporting Statement of Changes in Net Assets for the year ended 30th June 2020 whereby it was erroneously typed as for year 2018/2019 but actually it was for year 2019/2020. We have taken the action of making it mandatory to proof reading before the

Financial Statements are formally forwarded for approval and subsequent forwarding to National Treasury for auditing.

Committee Observations

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

Committee Recommendation

213. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.8 Variances between the statement of financial performance and comparison of budget and actual amounts

214. The figures reflected in the statement of financial performance are at variance with the balances indicated in comparison of budget and actual amounts as tabulated below:

Item	Statement of Financial Performance (Kshs.)	Comparison of Budget and Actual Amounts (Kshs.)	Variance (Kshs.)
Transfers from Other Government - GOK Grants	2,000,000	1,013,359.60	986,640
Rendering of services – fees from students	3,098,000	7,598,816	(4,500,816)
Total revenue	8,435,500	8,612,174.60	(176,675)
Total expenditure	22,388,803	11,538,803	10,850,000
Deficit for the period	(13,953,303)	(2,926,628.40)	(11,026,675)

215. No explanation or reconciliation have been provided for the above variances. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

Management Response

216. Monies from GOK are made up of recurrent grants and Capitation which is revenue from Non-exchange transactions. In the statement of financial performance we reported Kshs 2,000,000, Kshs 3,337,500 and Kshs 3,098,000 as revenue from recurrent grants, capitation and rendering of services respectively and totalling to a total revenue of Ksh 8,435,500. We have reported these figures as they are supposed to appear in the statement of comparison of budget and actual amounts in our the corrected financial statements for the year ended 30th June 2020.

Committee Observations

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

Committee Recommendation

218. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.9 Property, plant and equipment

219. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

4.1.10 Net assets and liabilities

220. The statement of financial position as at 30 June, 2020 reflects total assets, total liabilities and net assets of Kshs.156,845,397.50, Kshs.156,280,093.50 and Kshs.156,280,093.50 respectively. The statement, however, erroneously indicates net assets and liabilities balance of Kshs.156,280,093.50 instead of the balance of Kshs.156,845,397.50 or the correct financial position as at 30 June, 2020. No explanation was provided for this anomaly.
221. Consequently, the accuracy of the net assets of Kshs.156,280,093.50 as at 30 June, 2020 could not be confirmed.

Management Response

222. The college had correctly reported net assets of Kshs.156, 845,397.50, total liabilities Kshs.565, 304 and total net asset and liabilities of Kshs. 156,280,093.50 which was the correct on. There was an oversight. The financial statement was correctly reported in terms of total assets, total liabilities and total net assets in the financial position of 2019/2020.

Committee Observations

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

Committee Recommendation

224. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.11 Hiring of unlicensed teachers

225. The Committee notes that the matter had been addressed in the previous financial year ending 2019 and reiterates its recommendation.

4.1.12 Unsupported expenditure

226. As disclosed under Note 14 to the financial statements, the statement of financial performance reflects expenditure of Kshs.2,161,452 under General Expenses which, includes expenditure of Kshs.1,666,450 relating to local travelling. However, the expenditure was not supported by authority and evidence of travel and purpose for the expenditure. Consequently, the validity of the expenditure of Kshs.1,666,450 included under general expenses for the year ended 30 June, 2020 could not be ascertained.

Management Response

227. The figure quoted as LT&T under general expenses is well supported by the schedules and we have attached all relevant documents such as invitation letters, attendance list and bus tickets as well as the SRC rates applied.

Committee Observations

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

Committee Recommendation

229. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

4.1.13 Inaccuracy in cash and cash equivalent

230. The statement of financial position and as disclosed in Note 21 to the financial statements reflects cash and cash equivalents balance of Kshs.1,513,566. However, include in the bank reconciliations statements are stale cheques totaling to Kshs.51,770 which have not been reversed in the cash book as at 30 June, 2021. Further, unsupported balances totaling to

Kshs.77,280 have been outstanding for long periods of time having been brought forward from prior years.

231. In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.1,513,566 could not be confirmed.

Management Response

232. The cash and cash equivalent was Kshs 1,513,566 whereas in the bank reconciliation there were a stale cheques totaling Kshs. 51,770 and unsupported balances totaling to Kshs. 77,280.
233. We have corrected this in our reporting in the financial year 2021/2022 by debiting our cashbook with a total of Kshs.51, 770 made of stale cheques from the financial year 2020/2021. Also,we have updated our cashbook in the financial year 2021/2022 for all the unsupported balances totaling to Kshs.77, 280 in order for our cash and cash equivalent to be up to date.

Committee Observations

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

Committee Recommendation

235. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.14 Unsupported land balance

236. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

4.1.15 Budgetary control and performance

237. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

4.1.16 Hiring of unlicensed teachers

238. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

4.1.17 Management of receivables

239. Note 24 to the financial statement reflects Kshs.3,490,466 in respect of the current portion of receivables from exchange transactions which increased by kshs.1,395,420 from previous

years balance of Kshs.2,095,046. However, it was noted that the institution has no debt collection. Management policy on how outstanding receivables will be collected and how doubtful ones should be treated.

240. In the circumstances, the recoverability of the Kshs.3,490,466 could not be confirmed.

Management Response

241. This was necessitated by increase in receivables. Receivables from exchange transactions as at 30th June 2021 stood at Kshs.3, 490,466. These receivables are student debtors and are supported by debtors' ledgers schedules submitted during audit as well as in the debtor ageing analysis.

242. The College has finance and internal control policy and is formulating debt collection /management policy to address the issue of increases in receivables as well as on how to recover debts owed by students. The students are being encouraged to apply for HELB loans and bursaries to reduce the unpaid debts.

Committee Observations

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

Committee Recommendation

244. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.18 Non-compliance with Public Sector Accounting Standards Board (PSASB) requirements

245. Review of the annual report and financial statements revealed that the financial statements balances were reported in decimals instead of being rounded off to the nearest shilling. Further, the pages to the financial statements run from pages i to xxii and then from pages 23 to 50 instead of from pages I to xxii and then from 1 to 27. The progress on follow up of auditor's recommendations for the prior year audit issues were also not included in the annual reports and financial statements.

246. This is contrary to the Public Sector Accounting Standards Board requirement in the 2020/2021 reporting templates. In the circumstances, the annual reports and the financial statements do not comply with the requirements of the PSASB.

Management Response

247. This this was occasioned by reporting the figures in decimals and arrangement of pages. We have confirmed our financial statements by rounding off to the nearest shillings without decimal places and numbering of the financial statement is in sequence.

Committee Observations

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

Committee Recommendation

249. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.19 Lack of internal audit department

250. The college has not established an internal audit unit as at 30 June, 2021 as required by section 73(1) (a) of the Public Finance Management Act, 2012 which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit unit would have performed various roles stipulated by section 73(3) of the Public Finance Management Act, 2012 including risk assessment, putting in place a risk register and assessing the internal controls mechanism.
251. In the circumstances, the existence of an effective measure for internal controls could not be confirmed.

Management Response

252. There was no internal audit function in place by audit time as we had not employed Internal Auditor on permanent basis due to constrains of resources. However, the College through the board has engaged the professional services from its mentor institute (Michuki Technical) starting this financial year 2021/2022 as documented through Board meeting held on 30/03/2022.
253. The new Risk and audit committee held its first meeting on 30/03/2022 and deliberated on many issues related to internal audit functions and the policies required. Subsequently, Risk and audit committee meeting has developed audit committee charter as well as the audit work plan for the year 2022/2023.

Committee Observations

254. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the existence of the internal audit department.

Committee Recommendation

255. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

4.1.20 Lack of audit committee

256. The College had not established an Audit Committee as required by section 73(5) of the Public Finance Management Act, 2012 which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by section 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the Management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.
257. In the circumstances, oversight and overall good governance could not be confirmed.

Management Response

258. The new Risk and audit committee held its first meeting on 30/03/2022 and deliberated on many issues related to internal audit functions and the policies required. Subsequently, Risk and audit committee meeting has developed audit committee charter as well as the audit work plan for the year 2022/2023.

Committee Observations

259. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, having verified the existence of the audit committee.

Committee Recommendation

260. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.0 MATHENGE TECHNICAL TRAINING INSTITUTE

261. Mr. Micheal Njungu, Chief Principal, accompanied by;
iii) Mr. Charles Macharia- Finance Officer

iv) Ms. Naomi King'ori- Procurement Officer

Appeared before the Committee to adduce evidence on the audited accounts of Mathenge Technical Training College, on 14th June 2023.

Audited statements for Financial Year 2018/19

262. Auditors confirmed that the institution was not audited in the subject financial year as they were yet to transition to their current status. Their books had been examined by internal auditors on a cash basis.

Audited statements for Financial Year 2019/20

5.1.1 Opening balances and comparative figures

263. The comparative figures for the financial year 2018/2019 were derived from financial statements audited by the Schools Audit Department at the Ministry of Education.
264. Consequently, the validity, completeness and accuracy of the comparatives figures for 2018/2019 financial year reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

Management Response

265. The financial statements for the year 2018/2019 and other previous were prepared on cash basis of accounting and audited by the Schools Audit Department at the Ministry of Education. The financial statements for year 2019/2020 were the first financial statements to be prepared on accrual basis and audited by the Office of the Auditor General. To conform to IPSAS 1 on presentation, the management undertook the following procedures:
266. Revised the comparative figures i.e. year 2018/2019 to ensure they are stated on accrual basis, the revision included passing prior year adjustment to recognise assets and liabilities which were omitted on cash basis of accounting.
267. Subsequently, the management undertook valuation of its assets to establish the market values of its fixed assets especially the donations whose values had been estimated/unknown.

Committee Observations

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

Committee Recommendation

269. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.1.2 Receivables from non-exchange transactions

270. The Accuracy and completeness of non-exchange debtors amounting to KES 11,055,000 and Receivable from exchange transaction amounting to KES 35,075,257 could not be confirmed since there was no age listing provided and no provisioning of debtors.

Management Response

271. The Receivables from non-exchange transactions amounting to KES 11,055,000 related to government capitation for Q3 of 2019/2020 which was received in Q1 of 2020/2021 i.e. 2nd July 2020. We recognised a receivable in line with National treasury circular Ag4/16/2/vol.3/ (72).
272. Receivable from exchange transactions is made up of KES 7,000 being house rent receivable as at 30th June 2020 which was subsequently cleared and student debtors amounting to KES. 35,068,257 as at 30th June 2020.
273. The Receivables can be attributed to negative impact from COVID -19 pandemic.
274. The ageing analysis has now been provided.
275. In the year 2019/2020 there was no policy in place to guide the management on the provisioning of debtors but in the current year, the management had developed a finance policy manual that has clearly stated the policy for debtors provisioning.
276. Supporting documents of the Capitation for Q3 which was received in 2nd July of 2020 i.e. Q1 of 2020/2021 and student debtors listing supporting the balance as at 30th June 2020 had now been availed.

Committee Observations

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

Committee Recommendation

278. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.1.3 Current liabilities

279. The statement of financial statements reflects current liabilities balance of Kshs. 66,489,944 made up of prepaid fees amounting to KES. 55,499,793 and trade payables amounting to KES. 8,440,477.
280. Accuracy and completeness of current liabilities total balance of Kshs. 66,489,944 as at 30 June, 2020 could not be confirmed.
281. Furthermore, the liabilities included balances described as payable to mentored Institutions and refundable deposits amounting to KShs. 1,958,846 and Kshs. 590,828 respectively which were not supported.

Management Response

282. The variances noted were due to lack of a reliable accounting system for managing accounting data. The management installed a reliable ERP and the listing for liabilities was compiled and updated in the system and all the variances were subsequently resolved. The main component of prepaid fees was funds received from NYS amounting to KES. 29.8 Million which was utilised in year 2020/2021 due to closure of the institute in 2020 after the coming of Covid 19 pandemic.
283. On amounts payable to mentored institutions related to bank balances in the mentored institutions accounts being controlled by Mathenge TTI at the year end, the bank accounts were all opened under respective Institutes' name and since the institutes were under construction, the control of the bank accounts was under Mathenge TTI. The development funds from the government for those institutions were being transferred to those specific bank accounts and payment to contractors were done from the same accounts.

Committee Observations

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

Committee Recommendation

285. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.1.4 Unsurrendered imprest by mentored institutions

286. The Included under receivable from mentored institutions is un-surrendered imprests of Kshs. 1,012,200 consisting of Ksh. 831,000 and Ksh. 181,200 for mentored institutions Laikipia North Technical & Vocational Training College and Laikipia East Technical & Vocational Training College respectively owed to Mathenge TTI and had not been surrendered as at 30 June 2020.

Management Response

287. The amount of Ksh. 831,000 and Ksh. 181,200 for mentored institutions Laikipia North Technical & Vocational Training College and Laikipia East Technical & Vocational Training College relates to imprests applied and given to the principals of the said colleges which were being mentored by Mathenge TTI for operationalization purposes. The imprests were

pending as at the date of handing over the institutions to their newly appointed Board of Governors. With the distance and disruptions Covid-19 this caused the delay in surrendering the imprests.

288. However, the imprests have since been surrendered and fully accounted for.

Committee Observations

289. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the imprests had now been accounted for.

Committee Recommendation

290. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.1.5 Lack of an approved risk management policy and risk register

291. A review of the institute's policies revealed that the institute does not have an approved risk management policy strategies risk register to mitigate against risk. It was, therefore, not clear how the institution manages risk exposures. This is in contravention of Regulation 165(1)(a and b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that national government entity develops risk management strategies, which include fraud prevention mechanism; and the national government entity develops a system of risk management and internal control that builds robust business operations.

Management Response

292. The Institute subsequently developed a risk management policy and also a risk register which is used in managing risk exposure.

Committee Observations

293. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the risk management policy had been availed and confirmed.

Committee Recommendation

294. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

5.1.6 Receivable from exchange transactions

295. The statement of financial position reflects receivables from non-exchange transactions of Kshs. 49,055,546 and as disclosed under note 18 to the financial statement. However, supporting schedules provided for audit verification amounted to Kshs. 47,131,531 resulting to unreconciled difference of Kshs. 1,924,015.

Management Response

296. The variance was due to system challenges that the institute was experiencing. The management procured an ERP and carried out student debtors' verification exercise. We are now able to generate a listing of the student debtors from the system with no variances.
297. The student debtors' list and Service Level Agreement had been availed.

Committee Observations

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

Committee Recommendation

299. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

5.1.7 Trade and other payables from non-exchange transactions

300. The financial statements as shown under Note 23, trade and other payables from exchange transactions reflects fees paid in advance of Kshs. 28,316,460. However, no supporting documents were provided to support the figure.

Management Response

301. The Institute was experiencing system difficulties during the time of audit and we were not able to generate prepaid fees listing at the time. The management subsequently worked on the system and was able to generate the listing supporting prepaid fees. Subsequently the institute managed to install an ERP that is more reliable in data generation.

Committee Observations

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

Committee Recommendation

303. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

6.0 TETU TECHNICAL AND VOCATIONAL COLLEGE

304. Mr. Fredrick Wainaina, Principal, accompanied by the Finance Officer, Mr Kelvin Wachira appeared before the Committee to adduce evidence on the audited accounts of Tetu Technical and Vocational College, on 14th June, 2023.

Audited statements for Financial Year 2018/19

6.1.1 Lack of ownership documents and valuation basis for property, plant and equipment

305. The statement of financial position as at 30th June, 2019 reflects property, plant and equipment balance of kshs.72, 592,269.00. However, management has not provided ownership documents for the assets and the basis upon which their values were determined including valuation reports. Further, the fixed assets register maintained by the College was not comprehensive and lacked details including location of the assets, serial numbers or tag numbers for the assets.

Management Response

306. The College received training equipment & machines from the GoK through the AVIC international. The government provided the College with delivery notes without any attachment of the documents containing the values of the asset. This prompted the College to source for a valuer and its assets were valued by ICON VALUERS LTD in September 2021 and the new value of the assets disclosed in the 2020-2021 financial statement where the adoption of the values are incorporated in the subsequent financial statements.
307. Valuation was done and asset register maintained.
308. The land where the College is built was identified by Tetu NG CDF. The Ministry of Education through the Ministry of Lands and Public Works has started the process of titling all the TVET institution's land by mapping and surveying. The College has written to Tetu NG CDF to facilitate the titling of the process as instructed by the ministry as per the letter referenced. Ref. MoE/DTE/ADMIN 1/3/ (49).

Committee Observations

309. The Committee observes that the institution was yet to provide serialized assets register, as well as obtain title deed to its land.

Committee Recommendation

310. The Committee recommends that the Accounting Officer provides a serialized and complete assets register to the Auditor General within one month of adoption of this report, and obtains its title deed within six months.

6.1.2 Lack of establishment and staff scheme of service

311. The College did not have a staff establishment and scheme of service. An audit of personnel records and the payroll revealed that the College had recruited six trainers under the supervision of Michuki Technical Training Institute (The mentoring institute) and was paying each a gross salary of kshs.17,000.00 per month, despite the trainers having different levels of qualification namely; diploma, certificate, artisan course certificate, and experience
312. The trainer with an artisan course certificate was not licensed by the Technical & Vocational Authority as required by TVET Act, 2013 and TVET regulations, 2015.

Management Response

313. The Staff establishment was derived on the basis of needs and the required employees at the inception of the college operations where the schedule on the staffing needs.
314. The BoG hired trainers were recruited as per the need basis and since the college was on the early stages of development, a uniform rate was used to first settle the need at hand and then the salaries were reviewed based on the qualification of the employees after the alignment of the operations. As at the closure of the financial year, the college was using the scheme of service of the mentor institution. However, the College has developed its own scheme of service and career progression in the 2020- 2021 financial year.

Committee Observations

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

Committee Recommendation

316. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

6.1.3 Property, plant and equipment

317. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

Total net assets and liabilities

318. The statement of financial position reflects total assets and total liabilities balances of kshs.74, 055,007, and kshs.5, 955,257.00, respectively as at 30th June, 2020. The statements,

however, erroneously show at the bottom a balance of kshs.68, 099.750.16 instead of Kshs, 74,055,007.00 for the total net assets and liabilities. No explanation was provided for this anomaly.

Management Response

319. The statement of financial position shows the total assets of Kshs. 74,055,007.16 which should be equal to the total liabilities of Kshs. 5,955,257 plus the equity of Kshs. 68,099,750.16. The reporting was done on the basis of the net assets being equal to the net equity and liabilities.

Committee Observations

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

Committee Recommendation

321. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

6.1.4 Inaccurate trial balance

322. The Committee notes that the matter had been addressed in the previous financial year on valuation of property and reiterates its recommendation.

6.1.5 Inaccuracies in the statement of changes in net assets

323. The statement of financial performance reflects net deficit for the year of kshs.4,385,370.00. The same figure is reflected in the statement of changes in net assets under retained earnings instead of revenue reserves.

324. In addition, included in the statement of changes in net assets under the retained earnings is an unsupported amount of kshs.2,887,483.59 (2018/2019- kshs.3,193,181.25) which has been described as, "transfer of depreciation from capital fund to retained earnings" This amount has been offset in the financial statements against the deficit for the year of kshs.4,385,370.60 and thus resulting in "negative figure" of Ksh.1,605,035 in the statement of changes in net assets.

Management Response

325. The College corrected the error reported in the financial year 2019/2020 in the financial statement of the year 2020/2021 financial report.

Committee Observations

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

Committee Recommendation

327. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

6.1.6 Failure to disclose material uncertainty in relation to sustainability of service

328. The College recorded a deficit of kshs.4,385,370.60 during the financial year ended 30th 2020(2018/2019- a deficit of kshs.3,300,329.29), which further depleted revenue reserves. In addition, the current liabilities balances of kshs.5,955,257,00 exceeded the current assets balances of kshs.4,350,222.00 resulting in a negative working capital of kshs.1,605,035.00 as at 30 June, 2020.

Management Response

329. The college was at its early stages of establishment after being disintegrated from its mentor institution where most of its operations started at the scratch. The enrolment on the students and execution of the key mandates will revert the situation where the entity as a going concern venture will thrive to achieve its core mandates. The statements were as a result of the assistance of incomplete records acquired from the mentor but after the advice from your office, the college has in the subsequent years shown a positive move on its operations.

Committee Observations

330. The Committee observes that the institution had since remedied the position as confirmed in subsequent audits.

Committee Recommendation

331. The Committee recommends that the matter be closed.

6.1.7 Late submission of financial statements

332. The financial statements for the year ended 30th June, 2020 were submitted to the office of the auditor – general on 13 January, 2021, three and half months after the statutory deadline date of 30 September, 2020. This is contrary to provisions of section 47(1) of Public Audit Act, 2015 which requires the management to submit the financial statements to the auditor – general within 3 months after the financial year financial year to which the respective accounts relate.

Management Response

333. The College had not employed its own finance officer due to budgetary constraints and relied on the outsourced finance officer hence late submission of financial statement. The College recruited its finance officer in the 2020- 2021 financial year.

Committee Observations

334. The Committee observes that the institution had since remedied the situation by employing a finance officer and were now compliant.

Committee Recommendation

335. The Committee recommends that the matter be closed.

6.1.8 Inequitable remuneration of staff, lack of staff establishment and scheme of service

336. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

Audited statements for Financial Year 2020/21

6.1.9 Inaccuracies in financial statements

337. The statement of financial position and the corresponding Note 16 to the financial statements reflect the cash and cash equivalents balance of Kshs. 1,952,423 while Note 16 reflects KShs. 2,206,069 resulting in an unexplained variance of KShs. 253,646. In addition, the statement of changes in net assets reflects the capital fund balance of Kshs. 69,704,785 while the statement of financial position reflects a balance of KShs. 69,284,469 resulting in the unexplained variance of KShs. 420,316. Further, the statement of cash flows reflects cash and cash equivalents of Kshs. 1,952,423 resulting in an unreconciled variance of Kshs. 253,646.

Management Response

338. The explanatory note 16 showed a variance of Kshs. 253,646. The error was noted and rectified in the annual report for the financial year 2021/2022. The correct value on the cash and cash equivalent for the year 2020/2021 is ksh.2, 206,069. The statement of changes in net assets showed a variation of Kshs. 420,316. The error was noted and rectified in the financial statements of the financial year 2021/2022 where the value of Kshs. 69,704,785 was the opening balance as at 1st July 2020 while Kshs.69,284,470 is the closing balance as at 30th June 2021.

Committee Observations

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

Committee Recommendation

340. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

6.1.10 Budgetary control and performance

341. The summary statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs 19,365,000 and Kshs. 13,505,484 respectively, resulting to and underfunding of Kshs 5,859,516 or 30% of the budget. Similarly, the statement reflects final expenditure budget and actual on a comparable basis totalling to Kshs 18,144,744 and Kshs 9, 596,702 respectively, resulting to an underperformance amounting to Kshs. 8,548,041 or 47% of the budget.

Management Response

342. On incomes, college had high hopes on realization of the revenue from the fee collections and receipt of the capitation from the national government. As at the year end, most of the students had a lot of fee balances and were having the challenge to clear the fee balances as at the end of the period. The college has encouraged students to uptake the HELB Loans and apply for the bursaries to encourage 100% fee payments where currently the college is realizing positive responses from the students where the student accounts are showing great improvements.
343. On expenditure, the college had anticipated to spend as budgeted but due to the financial challenges, the spending had to be rationed to almost by 50%. The college had to suspend some of the spending hoping in the subsequent financial year some of the activities will be met to achieve service delivery as anticipated. The college is making efforts through aggressive marketing to populate the college so that improvement on the cash flow will enable meet the spending and fulfil the core mandate which is impacting skills.

Committee Observations

344. The Committee observes that the institution relied on wishful thinking rather than realistic projections, and fee payment enforcement.

Committee Recommendation

345. The Committee recommends that –
- i. the Accounting Officer ensures periodic budget reviews that reflect emerging realities.
 - ii. the institution develops a fee payment and/or debt policy guidelines, and enforces its application, within three months of adoption of this report.

6.1.11 Unresolved prior year matters

346. The Committee notes that the matters had been addressed in the previous financial year and reiterates its recommendations.

6.1.12 Non-compliance with the law on ethnic composition

347. A review of human resource records revealed that during the year under review, the College had twenty-four (24) employees out of which twenty (20) were from one dominant community which translates to 83% of the employees.

Management Response

348. The human resource of Tetu technical and Vocation College is on the lookout for the ethnic composition of the institution. With the growing population of students, the College has initiated the process of increasing the staff population from other regions so that equal opportunities are offered to all qualified personnel where as per the audit carried out in the year 2021/2022, the percentage has declined to 77%.

Committee Observations

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

Committee Recommendation

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

6.1.13 Failure to deduct and remit board's PAYE

351. The statement of financial performance and corresponding Note 12 to the financial statements reflects the remuneration of directors' expenditure of Kshs. 1,246,000. However, PAYE for board expenses amounting to Kshs 281,142 was not deducted and remitted to the Kenya Revenue Authority.

Management Response

352. The college is in agreement with the finding that the PAYE had not been deducted and remitted for the Board of Governors. As the college is its early stages of development where the systems are being put in place to formalize its operations, the college has made the

necessary arrangements to start remitting the deductions where it started with the employees and now the board will be effected.

Committee Observations

353. The Committee observes that management was in breach of the law and had facilitated leakage of much needed revenue.

Committee Recommendation

354. The Committee recommends that the Accounting Officer recovers in full, the amount of Kshs. 281,142 from the then board members within six months of adoption of this report, failure to which, the Accounting Officer to be surcharged, with interest, subject to Article 226(5) of the Constitution.

7.0 MATHIOYA TECHNICAL AND VOCATIONAL COLLEGE

355. Mrs. Grace Borah, Principal, accompanied by;

- i) Mr. Joseph Kamanu- Deputy Principal Administration and Finance
- ii) Ms. Hannah Mwangi -Finance Officer

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

Audited statements for Financial Year 2018/19

7.1.1 Property, plant and equipment

356. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.165,902,947 which as disclosed under Note 17 to the financial statements, comprise of building of Kshs.51,764,210, motor vehicles of Kshs.1,400,000, furniture and fitting Kshs.1,606,150, computers Kshs.3,202,999 and plant and equipment of Kshs.107,929,588. A review of records provided for audit verification however revealed the following:
357. Value of parcels of land including parcel No. LOC 14/ Gakurwe /982 granted to the College by Muranga County government measuring approximately 5 acres were not determined and included in the financial statements. Further, no ownership documents were presented to confirm the ownership of the land on which Mathioya Technical and Vocational College occupies.
358. The net book values of motor vehicles and plant and equipment of Kshs.1,400,000 and Kshs.107,929,587 respectively are in relation to motor vehicle registration number GKB 541 U and Automotive training equipment granted to the College by the National Government of

Kenya and recorded in the fixed assets register at initial cost of Kshs.1,600,000 and Kshs.123,348,100, net of accumulated depreciation of Kshs.200,000 and Kshs.15,418,512 respectively. According to letter Ref: MOE/DTE/6/5/1 VOL.XII (94) dated 23 February, 2021 from the Ministry of Education, the cost of motor vehicles and automotive equipment assets to the College were part of consignment from China at a total contract sum US Dollars 1,233,481 for equipping 144 TVET Institutions in the country. However, detailed analysis of the equipment, unit cost and quantity received was not provided for audit review.

Management Response

359. On the valuation, the land was valued on 23/08/2021.

360. On the motor vehicle, being part of the consignment was assigned the market value as at the time of supply for the purposes of recognition and depreciation. The ownership of the vehicle is still at the Ministry of Education.

Committee Observations

361. The Committee observes that the title deed of the land had still not been availed despite the valuation. Details of the motor vehicles had also not been availed by the donating ministry, despite producing a copy of the logbook.

Committee Recommendation

362. The Committee recommends that the Accounting Officer engages the county government and obtains the title within six months of adoption of this report.

363. Further, the Ministry of Education to avail to the Auditor General detailed analysis of the subject equipment, unit costs and quantities given to each of the 144 TVETs, within one month of adoption of this report.

7.1.2 Unconfirmed board allowances

364. The statement of financial performance for the year ended 30 June, 2019 reflects remuneration of directors (board allowances) of Kshs.461,000 whereas the supporting schedules and payment vouchers presented for audit review total Kshs.673,200 resulting in an unexplained variance of Kshs.212,200.

365. In the circumstances, the accuracy and completeness of board expenses balance of Kshs. 461,000 for the year ended 30 June, 2019 could not be confirmed.

Management Response

366. The difference resulted from posting errors causing omission of transactions. The Institution did not have a qualified Finance Officer at the time due to financial constraints.

367. The institution has since engaged the services of qualified personnel including hiring part-time consultants to streamline the reporting process.

Committee Observations

368. The Committee observes that the institution, like others across the country, lacks human resource capacity especially in the areas of accounting, finance and internal audit.

Committee Recommendation

369. The Committee recommends that –

- i. the State Department for Technical and Vocational Training and Treasury avail qualified personnel in accounts, finance and internal audit to all TVETs, within one year of adoption of this report;
- ii. correction of the records to be verified by the Auditor General during the subsequent audit.

7.1.3 Rendering of services- fees from students

370. The statement of receipts and payments reflects rendering of services - fees from students, under revenue from exchange transactions totalling to Kshs.3,047,958. Scrutiny of revenue records revealed that grants from donors - HELB totalling Kshs.603,000 received in the year under review was however, omitted from the schedule of receipts. No explanation was provided for the omission which understated the revenue.

371. Consequently, the accuracy and completeness of rendering of services balance totaling Kshs.3,047,958 for the year ended 30 June, 2019 could not be confirmed.

Management Response

372. The receipts from HELB are considered as school fees paid by trainees. Once the disbursement is received, the college distributes to each beneficiary as per the vote heads. The only documentation to HELB is an acknowledgement receipt. The institution does not render services to HELB.

Committee Observations

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

Committee Recommendation

374. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

7.1.4 Variances between the approved budget and amounts reported in statement of comparison of budget and actual amounts

375. The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a revenue budget of Kshs.11,681,500 which is at variance with the approved budget

figure of Kshs.12,258,000 resulting in a difference of Kshs.576,500. Further, a scrutiny of the approved budget submitted for audit revealed variances of Kshs.1,456,570 on four expenditure items without the necessary approvals as follows:

Items	Final Approved Budget Amount Kshs.	Notes to the Budget Amount Kshs.	Difference Kshs.
P.E BOG Teaching Staff	1,080,000	1,440,000	(360,000)
School Equipment and Stores	0	531,870	(531,870)
Advertisement	1,464,300	1,500,000	(35,700)
Facilitation (Training/Workshop)	671,000	1,200,000	(529,000)
Total	3,215,300	4,671,870	(1,456,570)

376. Although Management indicated that the variances were reconciled, the accuracy and completeness of the approved budget figures for the year ended 30 June, 2019 could not be ascertained.

Management Response

377. The difference resulted from posting errors causing omission of transactions. The Institution did not have a qualified Finance Officer at the time due to financial constraints.

378. The institution has since engaged the services of qualified personnel including hiring part-time consultants to streamline the reporting process.

Committee Observations

379. The Committee observes that the institution, like others across the country, lacks human resource capacity especially in the areas of accounting, finance and internal audit.

Committee Recommendation

380. The Committee recommends that –

- i. the State Department for Technical and Vocational Training and Treasury avail qualified personnel in accounts, finance and internal audit to all TVETs, within one year of adoption of this report.
- ii. correction of the variances to be verified by the Auditor General during the subsequent audit.

7.1.5 Non-compliance with the ethnic diversity requirement

381. A review of the human resource records indicates that the College had twelve (12) staff members as at 30 June, 2019, out of which 11 staff members or 92% were from the dominant ethnic community. This was contrary to the provisions of Section 7(1) and (2) of National Cohesion and Integration Act, 2008 which requires that in selecting candidates for appointment, all public establishments shall seek to represent the diversity of the people of Kenya and no public establishment shall have more than one third (33%) of its staff from the same ethnic community.

382. The Management was therefore in breach of the law.

Management Response

383. The Management strives to achieve ethnic balance as provided by law in future hiring. The applicants for advertised posts primarily hail from the region surrounding the college where one ethnic community is dominant.

Committee Observations

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

Committee Recommendation

385. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institution's HR manual and policies within three months of adoption of this report.

7.1.6 Lack of internal audit function

386. During the year under review, Mathioya Technical and Vocational College had not established an internal audit function contrary to Section 73(1) of the Public Finance Management Act, 2012. As a result, the Technical College lacks internal structures which could provide advice and assurance to the management regarding systems of internal control and risk management.

Management Response

387. During the year under review, the Management was unable to recruit a qualified Internal Auditor hence the absence of the function in its entirety. This was caused by lack of necessary funds to hire and maintain the officer.

Committee Observations

388. The Committee observes that the institution, like others across the country, lacks human resource capacity especially in the areas of accounting, finance and internal audit.

Committee Recommendation

389. The Committee recommends that the State Department for Technical and Vocational Training and Treasury avail qualified personnel in accounts, finance and internal audit to all TVETs, within one year of adoption of this report.

Audited statements for Financial Year 2019/20

7.1.7 Property, plant and equipment

390. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

7.1.8 Unsupported capitation expenditure

391. As disclosed under Note 9 to the financial statements, the statement of financial performance for the year ended 30 June, 2020 reflects use of goods and services of Kshs.6,131,793 out of which Kshs.1,867,500 is described as capitation. However, supporting documents including payment vouchers and relevant authorizations for the payments were not presented for the audit review.
392. Consequently, the occurrence, accuracy, and validity of the expenditure of Kshs.1,867,500 in respect of capitation could not be confirmed.

Management Response

393. The amount Kshs 1,867,500 indicated as Capitation under note (6) "Use of goods and services" is an incorrect entry in the note. This amount is a receipt "Revenue from non-exchange transactions" and as such should have been shown as such. The error is of a posting nature and has since been corrected in future statements.

Committee Observations

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

Committee Recommendation

395. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

7.1.9 Revenue from non-exchange transactions

396. As disclosed under Notes 5 and 6 to the financial statements, the statement of financial performance for the year reflects total revenue from non-exchange transactions totalling

Kshs.3,250,000 for the year ended 30 June, 2020. However, the balance differs with the supporting schedules and revenue records provided for audit totalling Kshs.6,125,644 resulting to an unexplained difference of Kshs.2,875,644 as analysed below:

Revenue Stream	Financial Statement Balance (Kshs.)	Amounts as per Supporting Schedule (Kshs.)	Variance (Kshs.)
GOK Grant	1,000,000	2,465,644	1,465,644
GOK Capitation	2,250,000	3,660,000	1,410,000
Total	3,250,000	6,125,644	2,875,644

397. Further, the revenue reported in the financial statements excludes receipts of Kshs.1,449,000 from HELB loans to students to offset fees balances during the year. Management has not provided reconciliation or explanations for the variances and omissions.
398. Consequently, the accuracy and completeness of revenue from non-exchange transactions of Kshs.3,250,000 for the year ended 30 June, 2020 could not be confirmed.

Management Response

399. This discrepancy was caused by an error of omission of the transaction. The amount was reconciled accordingly.

Committee Observations

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

Committee Recommendation

401. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

7.1.10 Budget performance

402. The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects a final receipts budget and actual on comparable basis of Kshs.18,365,736 and Kshs.8,697,418 respectively resulting to an under collection of Kshs.9,668,318 or 53%. Further, the statement reflects an expenditure budget and actual on comparable basis of Kshs.18,365,736 and Kshs.25,592,144 resulting to an over expenditure of Kshs.16,894,726 or 108%.

403. In addition, and although there was a loss of Kshs. 13,680,876 brought forward from previous year, the Management included retained earnings of Kshs.2,561,941 as one of the revenue sources to finance the budget for the year 2019/2020.
404. The under collection may have negatively affected the performance of planned activities and overall service delivery with the over expenditure indicating that the College was unable to operate within the allocated resources.

Management Response

405. The budget notes showed that the failure of the management to meet set targets was due to the slump in student numbers expected versus those actually registered. The college had targeted 250 students but was only able to attract 150 students.

Committee Observations

406. The Committee observes that the institution relied on wishful thinking rather than realistic projections, and fee payment enforcement.

Committee Recommendations

407. The Committee recommends that -
- i. the Accounting Officer ensures periodic budget reviews that reflect emerging realities;
 - ii. the institution develops a fee payment and/or debt policy guidelines, and enforces its application, within three months of adoption of this report.

7.1.11 Non-compliance with law on ethnic composition

408. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

7.1.12 Failure to comply fully with the Public Sector Accounting Standards Financial reporting framework

409. The statement of financial position as at 30 June, 2020 was not signed by the Finance Officer of the College while Appendix III on inter-entity transfers was not signed by Head of Accounting Unit of Parent Ministry as required in the financial reporting template recommended by the Public Sector Accounting Standards Board (PSASB).

Management Response

410. The failure to have the statements signed at the Ministry was an oversight that was corrected in future submissions.

411. The ICPAK membership of the Finance officer could not be established as the officer was still an associate member. The officer was encouraged to apply for full membership.

Committee Observations

412. The Committee observes that the matter had been resolved as the institution was now compliant.

Committee Recommendation

413. The Committee recommends that the Accounting Officer henceforth ensures full compliance with accounting standards.

7.1.13 Lack of internal audit function

414. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

Audited statements for Financial Year 2020/21

7.1.14 Comparative Balances

415. The financial statements reflect variances in relation to comparative balances.

Management Response

413. The balances for the prior year were indeed in disagreement with the reported prior year balances in the 2020/2021 Financial Report. This matter was brought to the attention of management through the Management Letter dated 10th May 2022. The Finance office worked to make the adjustments as advised by the auditor and the changes were updated in the Revised Financial statements.

Committee Observation

416. The financial statements have been amended and verified. However, the amendment was done after an audit opinion had been issued by the Auditor-General.

Committee Recommendation

417. The audit query is resolved. The Committee however recommends that the Accounting Officer should adhere to provisions of Section 68 (2) (I) of the PFM Act, 2015 on taking appropriate measures to resolve any issues arising from audit which may be outstanding.

7.1.15 Statement of Financial Position

418. The statement of financial position reflects an accumulated loss balance of Kshs.39,692,017. However, the balance is reflected in the statement of changes in net assets as Kshs.44,247,023. The variance of Kshs.4,555,006 was not reconciled. Further, the

statement reflects receivables from non-exchange transactions balance of Kshs.2,127,500 which is at variance with Note 15 to the financial statement balance of Kshs.3,127,500. The variance of Kshs.1,000,000 has not been reconciled.

Management Response

419. Adjustments have been made in the revised financial statements.

Committee Observations

420. The financial statements have been amended and verified. However, the amendment was done after an audit opinion had been issued by the Auditor-General.

Committee Recommendation

421. The audit query is resolved. The Committee however recommends that the Accounting Officer should adhere to provisions of Section 68 (2) (I) of the PFM Act, 2015 on taking appropriate measures to resolve any issues arising from audit which may be outstanding.

7.1.16 Statement of Cash Flows

422. The financial statements provided for audit had included two sets of statements of cash flows (I and II) reflecting cash and cash equivalents balances as 30 June, 2021 of Kshs.1,195,615 and Kshs.1,164,540.55 respectively.

Management Response

423. The Management stated that the variances were explained and documents verified by the auditor.

Committee Observations

424. The Committee observed that the matter has been resolved since the variances were explained and documents verified.

Committee Recommendations

425. The audit query is resolved. The Committee however recommends that the Accounting Officer should adhere to provisions of Section 68 (2) (I) of the PFM Act, 2015 on taking appropriate measures to resolve any issues arising from audit which may be outstanding.

7.1.17 Statement of Financial Performance

426. The statement of financial performance reflects rendering of services- fees from students of Kshs.2,252,160 which differ with supporting schedules amount of Kshs.9,244,336 resulting to an unreconciled variance of Kshs.6,992,176.
427. Further, the statement reflects net deficit for the year of Kshs.14,795,919 which differ from amount reflected in the statement of changes in net assets of Kshs.13,671,420. The variance of Kshs.1,124,500 has not been reconciled.

Management Response

428. Adjustments were made in the revised finance statements.

Committee Observation

429. The Committee observed that the management has failed to reconcile the variance of Ksh. 6,992,176 as asserted by the Auditor General.

Committee Recommendations

430. The Committee reprimands the Accounting Officer and recommends that management carries out the reconciliation within three (3) months following adoption of this report by the House.
431. Further, the Auditor General to report on the above recommendation during the next audit cycle.

7.1.18 Statement of Comparison of Budget and Actual Amounts

432. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.16,452,308 and Kshs.8,572,160 respectively resulting to performance difference of Kshs.7,880,148. However, the statement reflects performance difference of negative Kshs.739,528 resulting to an unreconciled difference of Kshs.8,619,676.

Management Response

433. The Management stated that the variances were explained and documents verified by the auditor.

Committee Observations

434. The financial statements have been amended and verified. However, the amendment was done after an audit opinion had been issued by the Auditor-General.

Committee Recommendation

435. The audit query is resolved. The Committee however recommends that the Accounting Officer should adhere to provisions of Section 68 (2) (l) of the PFM Act, 2015 on taking appropriate measures to resolve any issues arising from audit which may be outstanding.

7.1.19 Unsupported Balances in the Financial Statements

436. The following balances in the financial statements were not supported;

- i. The statement of financial position reflects Cash and cash equivalents balance of Kshs.1,195,615 which was not supported with Cash books, board of survey and bank reconciliation statements.
- ii. The statement of financial position reflects receivables from non- exchange transactions balance of Kshs.3,127,500 and 2,950,924 not supported by detailed aged analysis, ledger
- iii. The statements of financial position reflect an Inventories balance of Kshs.606,899 not analyzed by a way of Note to the financial statements and detailed analysis.
- iv. The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs. 1,291,167 had no Detailed aged analysis, ledger.
- v. The statement of changes in net assets reflects additional Capital-balance in the statement of changes in net assets amount of Kshs. 500,000 was not supported by a note nor supporting schedules and relevant documentation.

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

Management Response

437. The management responded as follows -

- i The amount was supported through bank certificate and cash survey report.
- ii Detailed aged analysis provided.
- iii Inventories of Kshs.606,899 detailed analysis done by way of note 21 to the financial statements.

Committee Observation

438. The Committee observes that the cash book and the aging analysis of the payables have not been provided as asserted by the Auditor General.

Committee Recommendations

439. The Committee reprimands the Accounting Officer and recommends that management provides the documentation within three (3) months following adoption of this report by the House.

440. Further, the Auditor General to report on the above recommendation in the next audit cycle.

7.1.20 Property, Plant and Equipment

441. The statement of financial position reflects property, plant and equipment balance of Kshs.151,548,248 and as disclosed in Note 17 to the financial statement. However, the balance was not supported with a detailed asset register, various assets ledger, accurate additions and depreciation schedules. The amount also includes additions of Kshs.5,000,000 in respect of land whose balance was not supported by a valuation report and title deeds. Further, ownership documents or title deed for land measuring 5 acres on which the College is located were not provided for audit. The balance also includes net book value of Kshs.825,000 in respect of motor vehicles whose log book is in the name of the Ministry of Education.
442. In addition, the PPE balance excludes un-quantified computer accessories, furniture and fittings, Loose tools, Equipment, machinery, and Intangible assets (software's) among others whose value is un-known. There was no evidence of asset count, valuation, tagging and if the assets had been insured accordingly.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.151,548,248 could not be confirmed.

Management Response

443. The management responded as follows -
- i Detailed asset register has been provided
 - ii The College received valuation report and is in the process of acquiring the land title deed
 - iii Depreciation charge and net book balances of Kshs.14,238,758 and Kshs.147,024,317 respectively were corrected and posted to the revised financial statements.
 - iv The College motor vehicle has a log book under the Ministry of Education since it was part of training material received from the said Ministry.

Committee Observations

444. The Committee observed that the query is partially addressed as the management failed to provide land ownership documents and registration of the motor vehicle in the name of the College. Further, the issue of excluded assets is pending.

Committee Recommendations

445. The Committee reprimands the Accounting Officer and recommends that management provides the documentation within three (3) months following adoption of this report by the House.

446. Further, the Auditor General to report on the above recommendation during the next audit cycle.

7.1.21 Budgetary Control and Performance

447. The statement of comparison of budget and actual amounts reflects the final receipts budget and actual on a comparable basis of Kshs. 16,452,308 and Kshs.8,572,160 respectively resulting to under-funding of Kshs.7,880,148 or 47 % of the budget. Further, the College incurred a total expenditure of Kshs.9,256,322 against an approved budget of Kshs. 16,452,308 resulting in an under-expenditure of Kshs.7,195,986 or 44% of the budget.

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

Management Response

449. The budget under absorption of 47% was occasioned by the economic turmoil caused by the COVID-19 pandemic. This caused a slump in student numbers hence revenue decreased. This affected expenditures and developments greatly.

Committee Observations

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

Committee Recommendations

451. The query is resolved. The Committee makes no further recommendations.

7.1.22 Unresolved Prior Year Matters

452. In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues and did not give reasons for the delay in resolving the issues.

Management Response

453. The Management was not able to resolve all matters raised by the auditor for the financial year 2019/2020. This is attributable to lack of a proper internal audit structure at the time as well as an audit and risk committee of the BOG.

Committee Observation

454. The Committee observes that the queries have been addressed in the previous financial years.

Committee Recommendation

455. The matter is resolved. The Committee makes no further recommendations.

7.1.23 Non- Compliance with the Public Sector Accounting Standards Board Template

456. Review of the financial statements submitted for audit revealed that the financial statements balances were not reported in the nearest whole numbers. Further, the head of finance did not indicate the date and Certified Public Accountants of Kenya (ICPAK) membership number contrary to the Public Sector Accounting Standards Board (PSASB) template issued in June, 2021. In addition, Note 17 to the financial statements on property plant and equipment excludes prior year comparative net book values.

Management Response

457. The financial report was not given to the nearest whole numbers due to poor knowledge to the change in reporting structure during the financial year. This change has been incorporated in the current financial year. The ICPAK membership of the finance officer could not be established as the officer was still an associate member. This officer was encouraged to apply for full membership.

Committee Observation

458. The Committee observes that Financial statements for the subsequent financial year were reviewed and the institution was found to have complied.

Committee Recommendation

459. The issue has been addressed. The Committee makes no further recommendations.

7.1.24 Non – Compliance with the law on Ethnic Composition

460. The College had twenty (20) employees as at 30 June, 2021 out of which 19 or 95 % were from one dominant ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community. In addition, the college has no Human Resource (HR) Manual and has not established a Human Resource office for recruitment and other human resource functions.

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

Management Response

461. The Management is committed to achieving ethnic diversity in staffing in future recruitment exercises. This will be complemented with gender rule in recruitment. Staffing of TVC is done by the Ministry and as such the management has little control over staffing as far as Public Service employees are concerned

Committee Observation

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

Committee Recommendation

463. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies.

7.1.25 Irregular Remuneration of Board of Directors

464. Note 11 to the financial statements, reflects Kshs.631,500 in respect of remuneration of directors. However, it was noted that there were no approved rates for payments to the Board of Governors allowances contrary to the provisions of Section 17 of the second schedule of the Technical and Vocational Education and Training Act, 2013 which states that members of a Board of Governor's shall be paid in respect of their services such remuneration or allowances as the board of governors shall, with the approval of the cabinet secretary, determine.

Management Response

465. The remuneration of the Board consists of the sitting and subsistence allowances in connection with the Board, Committees and the Chairperson. As per the Ministry's direction, the Board deliberated on their sitting allowances during a full Board meeting held on 21st June, 2022.

Committee Observation

466. The Committee observes that the management failed to provide documentation in support of the determined and approved rates payable as sitting allowances to members of the board, as required under Section 17 of the Second Schedule to the TVET Act, 2013.

Committee Recommendation

467. The Committee reprimands the Board of Governors alongside the Accounting Officer for failure to comply with provisions of Section 17 of the Second Schedule to the TVET Act, 2013.

7.1.26 Non-tax of Remuneration Allowance of Board Members

468. Note 11 to the financial statements, reflects Kshs.631,500 in respect of remuneration of directors. However, the College failed to tax the director's remuneration and did not remit the same to Kenya Revenue Authority contrary to Section 37(1) of the Income Tax Act which states that an employer paying emoluments to an employee shall deduct their from, and account for tax thereon, to such extent and in such manner as may be prescribed.

Management Response

469. The allowance paid to the Board members is subject to taxation. The Management shall engage in a full audit on tax arrears to be submitted to the Kenya Revenue Authority.

Committee Observation

470. The Committee observes that the Accounting officer was in breach of Section 37 (1) of the Income Tax Act Cap. 470 for failure to deduct and account for tax.

Committee Recommendations

471. The Committee recommends that -

- i. the Accounting Officer be reprimanded for failure to comply with the provisions of Section 37 (1) of the Income Tax Act Cap. 470.
- ii. the Accounting Officer recovers the tax amount and the accruing penalties from the beneficiaries and remits the same to the Kenya Revenue Authority.
- iii. the Auditor General confirms the remittance to Kenya Revenue Authority during the next audit cycle.

7.1.27 Payment of Remuneration Allowances to Non – Board Members

472. Note 11 to the financial statements, reflects Kshs.631,500 in respect of remuneration of directors. However, included in board of Directors allowances are payments of Kshs.121,000 made to non-board of directors' members that are not supported by way of appointment letters or gazette notice contrary to the provisions of Section 1 of the second schedule of the Technical and Vocational Education and Training Act, 2013 which states that the board members of a public institution shall consist of not less than seven members and not more than nine members appointed by the Cabinet Secretary.

Management Response

473. The Principal by being the Secretary to the Board is by default an important member of the Board. The absence of the Principal would render the business of the meeting impractical. The institution, however, stopped the remuneration of the Principal as a Board member starting January 2022 following an audit query.
474. The County Director who is duly to the Board also enjoys non-payment of tax by exemption due to PWD status
475. A representative of the area member of parliament drew a sitting allowance of Kshs.5,000 for one meeting only.

Committee Observation

476. The Committee observed that the query is resolved as the Auditor General was satisfied with the response from management.

Committee Recommendation

477. The query is resolved. The Committee makes no further recommendation.

7.1.28 Non- Gazettement of Board Members

478. Note 11 to the financial statements, reflects Kshs.631,500 in respect of remuneration of directors. However, records provided for audit reflects that seven (7) Board members though issued with appointment letters, had not been gazetted contrary to Section 11 of Chapter 1 of *Mwongozo* code of Governance for state corporations issued in January, 2015, which require each Board member to be appointed formally through a gazette notice and thereafter an appointment letter.

Management Response

479. TVCs are not mandated by law to effect the Gazettement of its Board members. National Polytechnics, on the other hand, are required by law to do so. BOGs are appointed by the Ministry and as such the appointing authority has the attaching responsibilities. The management's responsibility is to write to the Ministry requesting a Gazettement.

Committee Observation

480. The Committee observes that the Cabinet Secretary in the Ministry of Education failed to gazette the Institute's Board of Governors, contrary to Section 11 of Chapter 1 of *Mwongozo* code of Governance for state corporations issued in January, 2015 and Section 1(1) and (2) of the Second Schedule to the TVET Act, 2013.

Committee Recommendations

481. The Committee recommends that –

- i. the Cabinet Secretary in the Ministry of Education immediately gazettes members of the Board of Governors to the Institution, following the adoption of this report by the House.
- ii. the Auditor General confirms compliance with the above recommendation during the next audit cycle.

7.1.29 Lack of Board Evaluation Reports and Charter

482. The Board of Governors performance, evaluation reports and approved Charter were not provided for audit review to establish if the Institution had set criteria for evaluation of the board or whether evaluation of their performance had been done. The Charter would have defined the roles and responsibilities of the board members.

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

Management Response

483. The Management is committed to meeting this statutory requirement this current financial year 2021/2022. The Management has started working on a draft charter and periodic evaluations of the Board will be effected in the current financial year.

Committee Observation

484. The Committee observes that Institute has a draft Charter which is yet to be approved by the Board of Governors.

Committee Recommendation

485. The Committee recommends that the Auditor General confirms ratification of the Board's Charter in the next audit cycle.

7.1.30 Lack of Internal Audit Function

486. As reported in the previous years, the College has not established an Internal Audit Function and an Audit Committee of the board contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the college did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee. states that every government entity has appropriate arrangements in place for conducting internal audit according to the guidelines of the accounting standards board.

In the circumstances, the College did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

Management Response

487. The Management has shown commitment in establishing the unit with help of a trainer with qualifications (CPAK, BSC(IT)), currently a trainer in computer department and

examinations officer at the College. The proposed candidate has vast experience in accounting and auditing training as well as consultancy engagements in the industry.

488. The internal audit and risk committee of the Board consists of 3 Board members. The committee has held one meeting on 8th February, 2023 with the Ag. Internal auditor as the Secretary.

Committee Observation

489. The Committee observes that the Institute is yet to establish an internal audit function, contrary to Section 73 (1) of the PFM Act, 2012. As such the College does not benefit from the assurance and advisory services of the internal audit function, as well as, oversight by the Audit Committee.

Committee Recommendations

490. The Committee recommends that -

- i. the Institution establishes an internal audit function in compliance with Section 73 (1) of the PFM Act, 2012.
- ii. the Auditor General to confirm compliance with the above recommendation during the next audit cycle.

7.1.31 Information, Communication and Technology (ICT) environment

491. An audit review of the Institute's ICT environment revealed that there was no formal approved ICT policy in place during the year under review, which includes data security policy, and disaster recovery plans. Also, the Institute's ICT structure was not provided for audit review. In addition, during the year under review, the Institute did not have an Information Technology (IT) steering committee for ensuring effective IT controls and strategies. Further, the College did not have evidence of a risk policy and if enterprise-wide risk management was operational and effective. This is contrary to the Public Finance Management Regulations 2015, Section 165. (1) which states that the Accounting Officer shall ensure that the government entity develops (a) risk management strategies, which include fraud Prevention mechanisms; and (b) a system of risk management and internal controls that builds robust business operations.

In the circumstance, the security and reliability of the College's data including its Management Information System could not be confirmed.

Management Response

492. The Management is committed to meeting the statutory requirements for this current financial year 2021/2022. The Management is in the process of implementing a policy for presentation to the Board for approval.

Committee Observation

493. The Committee observes that the Institution does not possess an ICT Policy, therefore the security of the College's data is at risk.

Committee Recommendations

494. The Committee recommends that -

- i. the Institution establishes an ICT Policy in compliance with Section 165 (1) of the PFM National Government Regulations, 2015.
- ii. the Auditor General to confirm compliance with the above recommendation during the next audit cycle.

7.1.32 Lack of a Procurement Function

495. During the year under review, the College did not have a procurement function in place. Procurement of goods and services was carried out without use of tender documents including quotations, tender registers, tender opening/ evaluation reports and notification of award. Failure to establish a procurement function is a contravention of Section 45(1) of the Public Procurement and Assets Disposal Act, 2015 which states that to ensure that the accounting officer's decisions are made in a systematic and structured way, an Accounting Officer shall establish systems and procedures to facilitate decision making for procurement and asset disposal.

In these circumstances, the lack of procurement function exposes the College to the risk of abuse.

Management Response

496. As at 30th June, 2021, the Institution had not put in place sufficient procedures in the procurement function. The Management has since hired a qualified officer to head the department.

Committee Observation

497. The query has been resolved as asserted by the Auditor General.

Committee Recommendation

498. The matter is resolved. The Committee makes no further recommendations.

7.1.33 Lack of a Finance and Accounting Policy Manual

499. An audit review of the College revealed that the College lacked a finance and accounting manual to guide Management in processing financial transactions. This is contrary to Section 68(2)(e) of The Public Finance Management Act, 2012 which states that an Accounting Officer for a National Government entity is accountable to the National Assembly for ensuring that all applicable accounting and financial controls, systems, standards, laws and procedures are followed when procuring or disposing of goods, adequate arrangements are made for their custody, safeguarding and maintenance. In the circumstances, the lack of a Finance and Accounting Policy Manual exposes the College to the risk of abuse.

Management Response

500. The Management is committed to meeting the statutory requirements for this current financial year 2021/2022. The Management is in the process of implementing of policy for presentation to the Board for approval.

Committee Observation

501. The Committee observes that the Institution lacks a finance and accounting manual, contrary to Section 68(2)(e) of The Public Finance Management Act, 2012, thereby exposing the institution to financial risk.

Committee Recommendation

502. The Committee recommends that -

- i. the Institution establishes a finance and accounting manual in compliance with Section 68(2)(e) of The Public Finance Management Act, 2012.
- ii. the Auditor General to confirm compliance with the above recommendation during the next audit cycle.

8.0 MUKURWE-INI TECHNICAL TRAINING INSTITUTE

503. Mr. Patrick Muchemi, Principal, accompanied by the Finance Officer, Ms. Esther Karuita Finance Officer appeared before the Committee to adduce evidence on the audited accounts of Mukurwe-Ini Technical Training Institute, on 14th June 2023.

Audited statements for Financial Year 2018/19

8.1.1 Property, plant and equipment

504. The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs. 248,725,452 and as disclosed in Note 18 to the financial statements. No valuation reports were provided to determine the value of land with an estimated acreage of

approximately 61.3 acres. The institution had not included the land in the assets register. In addition, not all furniture, fittings and equipment were tagged for identification.

Management Response

505. The management and the board initiated and engaged a valuer to value the institute's assets. The institute had now valued and tagged the same and availed a report.

Committee Observation

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

Committee Recommendation

507. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.2 Receivables from exchange transactions

508. The statement of Financial Position reflects receivables from exchange transactions balance of Ksh 39,066,849 as at 30th June 2019 which is an increase of Kshs 20, 073,594 from a balance of Ksh 18,993,255 as at June 2018, an indication that the debtors may not be fully recovered. However, the management had not formulated a policy on the management and provision for bad and doubtful debts.

509. Although the recoverability of these debts is uncertain, no provision for bad debts and doubtful debts has been made in these financial statements.

510. Consequently, the accuracy and recoverability of receivables from exchange transactions balance of Ksh 39,066,849 reflected in the statement of financial position as at 30 June ,2019 could not be ascertained.

Management Response

511. The management formulated and approved a finance policy in the year 2021/22. They also developed a form that students fill to register for examinations, subject to clearance of fee balances.

Committee Observation

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

Committee Recommendation

513. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.3 General expenses

514. The statement of financial performance for the year ended 30 June, 2019 reflects general expenses balance of Kshs 30,759,949. However, the balance was in respect of six (6) expenditure items reflected disclosed under Note 12 to the financial statements; do not tally with the ledger balances as summarized.

Account Details	Balances Financial Statement (Kshs)	Amount as per Ledger	Variance
Administration fees	3,876,830	4,960,710	1,083,880
Teaching Materials	3,186,703	3,345,466	158,763
Industrial Attachment	100,000	110,800	10,800
ICT Integration	1,038,652	1,012,807	-25,845
Medication	234,400	221,600	-12,800
School Equipment and Stores	89,635	3,452,065	3,362,430
Repairs and Maintenance	1,425,956	3,515,871	2,089,915
Total	<u>9,952,176.</u>	<u>16,619,319</u>	<u>6,667,143.</u>

515. The net difference of Kshs 6,667,143 have not been reconciled or explained

Management Response

516. The variances had been reconciled and correct schedules availed.

Committee Observation

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

Committee Recommendation

518. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.4 Late submission of financial statements to Auditor General

519. The Institute's financial statements for the year ended 30th June, 2019 were submitted to the Office of the Auditor –General on 14 January, 2021, fourteen months after the statutory deadline of 30th September, 2019. The management was, therefore, in breach of the law during that period.

Management Response

520. The institute was reconciling the financial statements and transiting from cash to accrual basis.

Committee Observation

521. The Committee observes that the matter had been settled as the institute lacked qualified finance and accounting staff.

Committee Recommendation

522. The Committee recommends that the State Department for Technical and Vocational Training provides qualified accounts, finance and internal audit staff to all TVETs in the country, within one year of adoption of this report by the House.

8.1.5 Non-compliance with ethnic diversity

523. As previously reported, the Institute had twenty-five permanent employees, out of which twenty-one or 88% were from the dominant ethnic Community. These contravenes the provisions of section 7(2) of the National Cohesion Act, 2008 which requires the Institute to ensure that not more than one third of its staff are from the same ethnic community.

Management Response

524. The institute currently had seventy nine employees out of which the dominant community had decreased from 88% in 2019 to 82.28% in 2023.

Committee Observation

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

Committee Recommendation

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

8.1.6 Lack of a functioning internal audit

527. Mukurwe-ini Technical Training Institute has no properly constituted Internal audit department and audit committee. In addition, there was no approved internal audit charter and audit plans.

Management Response

528. The person who has been acting for the post lacks the necessary professional qualification. In the coming FY 2023/24, the board has now budgeted for the recruitment of a qualified internal auditor for the institution and we believe that audit function will be now conducted as per the guidelines of the accounting standard board.

Committee Observation

529. The Committee observes that the institution currently had an audit committee and had budgeted to employ an internal auditor in the next financial year.

Committee Recommendation

530. The Committee recommends that the State Department for Technical and Vocational Training provides qualified accounts, finance and internal audit staff to all TVETs in the country, within one year of adoption of this report by the House.

Audited statements for Financial Year 2019/20

8.1.7 Inaccurate financial statement reporting

531. The statement of financial performance reflects prior year total expenditure amounting to Kshs 23,072,927. Recasting of the same gives a total amount of Kshs 53,832,876 resulting to a casting error amounting to Kshs 30,759,949.

532. Statement of changes in net assets reflects prior year surplus amounting to KShs 16,621,039 which differs with the statement of financial performance balance of Kshs 47,380,988 resulting to unexplained variance amounting to Kshs 30,759,949. Further the statement reflects depreciation charge of capital grants amounting to Kshs 4,832,946 which has already been deducted in the statement of financial performance as part of depreciation hence double counting.

533. The statement of cash flows for the year ended 30 June 2020 reflects increase /(decrease) in receivables amounting to Kshs 16,926,789 which differs with the changes in receivables in the statement of financial position of KShs 15,290,004 resulting to unexplained variance of

- Kshs 1,639,785 Further, financing activities amounting to Kshs 48,329,756 as per the at statement of changes in net assets has been omitted in the statements of cash flows.
534. Statement of comparison of budget and actual amounts reflects actual on comparable basis totals receipts and expenditure amounting to Kshs 63,555,604 and Kshs 70,057,622, respectively which differs with the statement of financial performance total receipts and expenditure of Kshs 60,850,287 and Kshs 68,278,673 respectively resulting to a difference amounting to Kshs 2,705,317 and Kshs 1,778,949 respectively.
535. Note 6A, 11 and 18 to the financial statement reflects total expenditure, prior year balance on repairs and maintained and accumulated surplus amount of Kshs 33,099,675, Kshs 3,193,357 and Ksh.70,451,565 respectively which differs with the statement of financial performance and changes in net assets amount of Kshs 26,903,300, Kshs 1,425,956 and Kshs 47,120,002 resulting to unexplained variance amounting to Kshs 6,196,375, 1,767,401 and Kshs 23,331,563 respectively.

Management Response

536. The management acknowledges the accounting errors. Corrections had been made.

Committee Observation

537. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and confirmed all corrections had been done.

Committee Recommendation

538. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.8 Property, plant and equipment

539. The property, plant and equipment of balance for 2019/2020 were Kshs. 244,775,094. A balance of Kshs. 25,500,000 included Six (6) parcels of land (61.3 acres) LR No. 453 (Gikondi), LR No. 1050 (Gikondi). LR No. 1939 (Thanu), LR No. 941 (Thanu), LR No. 951 (Thanu) and LR No. 787 (Karindi). No valuation reports were provided on how the value was arrived at. In addition, LR No. 1939 (Thanu), LR No. 941 (Thanu) and LR No. 951 (Thanu) totaling to 25.1 acres were registered under Thanu Technical Training Institute and no evidence was provided for the association between the two institutions.
540. Consequently, the accuracy, ownership, valuation and security of land balance of Kshs. 244,775094 could not be confirmed.

Management Response

541. The management and board initiated and engaged a valuer to value the institutes assets and a report provided.

Committee Observation

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

Committee Recommendation

543. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.9 Unconfirmed provision for bad debts without a policy

544. The statement of financial position reflects receivables from exchange transactions balance of Kshs 23,776,845 and as disclosed in Note 15 to the financial statements. The balance comprises of the students debtors of KShs 29,250,580 net provision for bad and doubtful debts amounting to Kshs 12,376,172. However, as previously reported, the management has not formulated a policy on management and provision for bad and doubtful debts. Consequently, the accuracy of receivables from exchange transactions balance of Kshs 39,066,849 could not be confirmed.

Management Response

545. The management formulated a finance policy in the year 2021/22 and approved by the board.

Committee Observation

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

Committee Recommendation

547. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.10 Double counted expenditure on employee costs

548. The statement of financial performance reflects employees costs amounting to Kshs 8,115,918 and as disclosed in Note 9 to the financial statements. However, the amount includes NSSF statutory deductions amounting to Kshs 540,540 which usually is netted off gross salary; appear to be having been double counted in the financial statements thus overstating the expenditure for the year.

549. Consequently, the completeness and accuracy of employees' costs amounting to KSHS 8,115,918 could not be confirmed.

Management Response

550. The management has initiated the process of refunding the amounts over-deducted from employees. This had been budgeted for in the FY 2023/24 budget.

Committee Observation

551. The Committee reiterates its observation that the institute lacked qualified accounting staff.

Committee Recommendation

552. The Committee recommends that auditors confirm status in subsequent audit.

8.1.11 Late submission of financial statements to Auditor General

553. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

8.1.12 Unauthorized over-expenditure

554. The statement of financial comparison of budget and actuals amounts reflects final expenditure budget of KShs 2,700,000 in respect of repairs and maintenance and against actual expenditure of KShs 4,071,117 resulting to an over expenditure amounting to KShs 1,371,117.

555. However, no evidence was provided to show that the budget variation or the over expenditure was approved by the Board of Governors. Consequently, budget and budgetary controls were not adhered to.

Management Response

556. The management had submitted a supplementary budget to the board for approval.

Committee Observation

557. The Committee observes that the institution lacked a qualified finance officer and relied on staff in other cadres to perform its finance functions.

Committee Recommendation

558. The Committee recommends that the State Department for Technical and Vocational Training provides qualified accounts, finance and internal audit staff to all TVETs in the country, within one year of adoption of this report by the House.

Audited statements for Financial Year 2020/21

8.1.13 Misstatement of general expenses

559. The statement of financial performance and note 9 to the financial statements reflects an amount of Kshs 30,731,839 in respect to the general expenses. However, the payment

schedules provided for the audit disclosed an amount of Kshs 31,770,038 giving rise to unexplained variance of Kshs 1,038,199

560. In the Circumstances, the accuracy of an amount of Ksh 30,731,839 for general expenses could not be confirmed.

Management Response

561. The financial statements had now been amended.

Committee Observation

562. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the statements had been amended accordingly.

Committee Recommendation

563. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.14 Inaccuracies in receivables from exchange transactions

564. The statement of financial position and Note 15 to the financial statements reflect an amount of Kshs 24,248,630 in respect of receivables from non-exchange transactions. Included in the amount is Kshs 24,093,630 in respect to the student's debtors. However, schedules provided for the students' debtors reflected an amount of KShs 24,133,446 giving rise to a variance of Kshs 39,816. In addition, no provision for bad debts was provided in the financial statements.
565. Further, no aging analysis for the receivables was not provided for the audit review. In the circumstances, the accuracy and completeness of the receivables amounts of Kshs 24,248,630 could not be confirmed.

Management Response

566. The records had been reconciled and management formulated a finance policy and the board had approved it in the financial year 2021/22.

Committee Observation

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

Committee Recommendation

568. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.15 Unsupported revenue from exchange transactions

569. Notes 6a and 6b to the financial statements reflects Kshs.40,647,500 in respect of revenue from non-exchange transaction made up of transfers from National Government of Kshs 30,427,500 and transfers from other levels of government Kshs 10,220,000 . However, this was not supported with schedules, receipt vouchers or documents to show the purpose and beneficiary students or whether it was a grant in nature.
570. In the circumstances, the accuracy and completeness of revenues amounting to 40,647,500 for the year under review could not be ascertained.

Management Response

571. This relates to the transfers from the National Government for Government sponsored students. In quarter one, the Institution received capitation for 1030 students, in quarter two received capitation for 1030 students, in quarter three received capitation for 944 students and in quarter four received capitation for 1053 students. The Institution has recognized income based on the number of students KUCCPS has verified and confirmed to provide funds. Each sponsored students is allocated Ksh 7,500 per quarter. For the funds from other levels of government, the fees was paid by the Ministry of Youth and Gender Affairs on behalf of 224 National Youth Services (NYS) students during the financial year.

Committee Observation

572. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, and management had availed schedules and receipt vouchers.

Committee Recommendation

573. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.16 Unconfirmed ownership status of seven parcels of land

574. Note 18 to the financial statement reflect Kshs.255, 621, 544 in respect of property, plant and equipment which includes an amount of Kshs 25,500,000. in respect of Land relating to seven (7) parcels of land measuring approximately 66.45 acres. However, valuation report of the land was not presented for audit. Further, out of the seven (7) parcels of land, three (3) parcels all measuring approximately 25.1 acres were registered under Thanu Technical Training Institute instead of Mukurweini Technical Training Institute.
575. Consequently, the accuracy, valuation, completeness and ownership of the property, plant and equipment amount of Kshs.255, 621, 544 as at 30 June 2021 could not be ascertained.

Management Response

576. The management and the Board initiated and engaged a valuer to value the institute's assets. The institute has now valued its assets and provided a valuation report.
577. Thanu parcel of land which was earlier registered as Thanu technical training institute is now registered is in the process of change of name to Mukurweini Technical Training Institute.

Committee Observation

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

Committee Recommendation

579. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

8.1.17 Lack of staff ethnic diversity

580. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

8.1.18 Budget over-expenditure without approval

581. The statement of comparison of budget and actual amounts for the year ended 30 June 2021 reflects development expenditure actual of Kshs. 21, 156,013. However, the entity had budgeted for Kshs. 18,268,329 resulting to an over expenditure of Kshs. 2,887,684 or 16% over expenditure. However, the over expenditure was not approved contrary to section 43(2) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a national government entity may reallocate funds between programs, or between sub votes in the budget for the financial year if (b) a request for the reallocation has been made to the national treasury explaining the reasons for the reallocation and the National Treasury has approved the request. In the circumstances, the management was in breach of the law.

Management Response

582. The institution had developed a supplementary budget which was approved by the board.

Committee Observation

583. The Committee observes that the institution lacked a qualified finance officer and relied on staff in other cadres to perform its finance functions. A supplementary budget not approved by Treasury was null and void.

Committee Recommendation

584. The Committee recommends that the State Department for Technical and Vocational Training provides qualified accounts, finance and internal audit staff to all TVETs in the country, within one year of adoption of this report by the House.

8.1.19 Internal audit function

585. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

8.1.20 Lack of risk management policy, disaster recovery and business continuity plans

586. As at the time of audit in April 2022, the Institute did not have a risk management policy, Disaster recovery and business continuity plan. Further, the management did not carry out risk assessments during the year under review neither was there in place a risk register. This is in breach of section 165(1) of the Public Finance Management Regulations, 2015 that requires an accounting officer to ensure that the entity develops a risk management strategy which includes fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.
587. In the circumstances, the Institute is not prepared in case of unforeseen eventualities and in the event of any disaster, operations may be adversely affected.

Management Response

588. Management had since developed a draft risk management policy awaiting board approval, while it had budgeted for the disaster recovery and business continuity plans in the subsequent financial year.

Committee Observation

589. The Committee observes that the institution had lacked capacity, compounded by underfunding for key functions and operated without requisite policies.

Committee Recommendation

590. The Committee recommends that the Accounting Officer ensures adoption of the risk management policy by the board within one month of adoption of this report by the House, and develops the disaster recovery and business continuity plans, within six months.

9.0 KIENI TECHNICAL AND VOCATIONAL COLLEGE

591. Mrs. Ruth Ruita, Principal, accompanied by the Finance Officer, Ms. Daisy Mwangi appeared before the Committee to adduce evidence on the audited accounts of Kieni Technical and Vocational College, on 5th July 2023.

Audited statements for Financial Year 2018/19

9.1.1 Non-compliance in presentation of the financial statement

592. The financial statements for the year ended 30th June, 2019 submitted for audit do not have a summary significant accounting policies including the basis for measurement used in the preparing of the financial statements. Further, the explanatory notes are incomplete.

Management Response

593. The part that contains summary significant accounting policies including the basis for measurement used in the preparing of the financial statements were erroneously omitted on the audited financial statement.

594. The college was reporting for the first time in accrual basis in the 2018- 2019 financial year.

595. The omissions were corrected in the subsequent reports of the 2019- 2020 financial year.

Committee Observation

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

Committee Recommendation

597. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.2 Variances between the statement of financial performance and the statement of comparison of the budget and the actuals amounts

598. Several variances were noted between the expenditure figures for various account items reflected in the statement of financial performance and the corresponding figures in the statement of comparison of the budget and the actuals as shown below.

Account items	Figures in statement of financial performance	Figures in the statement of comparison of budget and actuals amount	Variance
Use of goods & services	6,970.00	993,948.00	986,978.00
Mathenge TTI	986,878.00		986,878.00
Repairs & maintenance	112,435.00		112,435.00
Contracted services	165,600.00		165,600.00
General expenditures	1,733,579.00	2,011,614.00	(278,035.00)

Management Response

599. Use of goods and services- The figures in the statement of financial statement only included the expenditure under the use of goods amounting to kshs.6,970.00. The figures in the statement of comparison of the budget and the actuals of kshs. 993,948.00 included the use of goods expenditures kshs.6,970.00 and the expenditure financed by the Mathenge TTI (Mentor institute) of kshs. 986,878.00. The aggregated figures of the 2 components resulted to the figures posted in the statement of comparison of the budget and the actuals of kshs. 993,948.00
600. Mathenge TTI was the mentor institute for Kieni TVC and they financed some of the college activities that reported as Mathenge TTI in the statement of financial performance but as Use of goods and services in the statement of comparison of the budget and the actuals.
601. The expenditure classification on the Repairs & maintenance, contracted services & general expenditures were included in the general expenditure component in the budget. They were however reported separately in the statement of financial performance.

Committee Observation

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

Committee Recommendation

603. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.3 Unexplained variances in the use of goods and services

604. The statement of the financial performance reflects an expenditure of kshs.6,970.00 under the use of goods & services which note no.7 to the financial statements reflects a corresponding figure of kshs. 993,948.00, resulting to an unexplained and unreconciled difference and unreconciled variance of kshs.986,978.00. The accuracy and completeness of the use of goods and services expenditure of kshs.6,970.00 for the year ended 30th June, 2019 could not be confirmed.

Management Response

605. The figures in the statement of financial statement only included the expenditure under the use of goods amounting to kshs.6,970.00.
606. The figures in the statement of comparison of the budget and the actuals of kshs. 993,948.00 included the use of goods expenditures kshs.6,970.00 and the expenditure financed by the Mathenge TTI (Mentor institute) of kshs. 986,878.00.
607. Note no 7 is the aggregated figures of the 2 components resulted to the figures posted in the statement of comparison of the budget and the actuals of kshs. 993,948.00

Committee Observation

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

Committee Recommendation

609. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.4 Unvalued and omitted assets

610. The statement of financial position reflects total assets of kshs.1, 945,214.00 as at 30th June, 2019. However, a review of the college list of assets revealed parcels of land, building, equipment furniture and fittings and donated items that were not valued included in the financial statements.

611. The accuracy and completeness of the total asset balances of kshs. 1,945,214.00 as at 30th June, 2019 could not be confirmed.

Management Response

612. The assets have been valued and completed in 2021-2022 financial year.

Committee Observations

613. The Committee observes that –

- i. the valuation had since been done;
- ii. the management had demonstrated continued engagement with the National Lands Commission and County Government for ownership of its land.

Committee Recommendation

614. The Committee recommends that the Accounting Officer intensifies efforts to obtain land ownership documents, within three months of adoption of this report by the House.

9.1.5 Unapproved budget

615. The statement of comparison of the budget and the actuals reflects final budgeted revenue of kshs. 528,000.00 against actual revenue and expenditure of kshs 3,935,093.00 and kshs.3,060,962.00 respectively. However, no evidence was provided to show that the budget figures were approved by the board of governors.

Management Response

616. The college was started in the year 2019 and didn't have any funding have any finding source. The college relied on the Board of Governor from the mentoring institute (Mathenge TTI) for to approve its management instruments including the budget.
617. The budget for the 4th quarter of the year was prepared and forwarded to the Principal Mathenge TTI for approval.

Committee Observation

618. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, based on section 29 of the TVET Act.

Committee Recommendation

619. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

9.1.6 Misstatement of total revenue

620. The statement of financial performance reflects revenue amounting to kshs.4,635,630.00 for the year ended 30th June, 2020. However, review of primary records including receipt books and the cash book indicated a balance of kshs.5,271,170.00 resulting on unexplained variance of Kshs.635,540.00.

Management Response

621. The kshs.635,540.00 were receipts posted in the 2020 – 2021 cash book.

Committee Observation

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

Committee Recommendation

623. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.7 Understatement of property, plant and equipment balances

624. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendations on the same.

9.1.8 Unresolved prior year audit matters

625. The Committee observed that it had made various recommendations to the previous audit queries in the previous financial year.

Audited statements for Financial Year 2020/21

9.1.9 Cash and cash equivalents

626. As disclosed in Note 16 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.171,181 as at 30 June, 2021. Review of the bank statements revealed that an amount of Kshs.3,853,585 was withdrawn from the bank during the year under review. However, the withdrawals were not supported with the corresponding expenditure. In addition, the Note reflects cash in hand totalling to Kshs.168,262 as at 30 June, 2021 which was not supported with the board of survey report.

627. In the circumstances, the validity, accuracy and completeness of the cash and cash equivalents balance of Kshs.171,181 as at 30 June, 2021 could not be confirmed.

Management Response

628. The kshs.635,540.00 were receipts posted in the 2020 – 2021 cash book.

Committee Observation

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

Committee Recommendation

630. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.10 Property, plant and equipment

631. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

9.1.11 Receivables from exchange transactions

632. The statement of financial position and the corresponding Note 17 to the financial statements reflects a balance of Kshs.3,361,011 in respect of receivables from exchange transactions, which includes fee arrears totalling to Kshs.3,349,011. However, the debtor's ageing analysis was not provided for audit. In addition, the movement of receivables from the previous year's balance of Kshs.1,286,570 to Kshs.3,361,011 in the year under audit review was not supported.

633. In the circumstances, the accuracy and validity of the receivables from exchange transactions balance of Kshs.3,361,011 as at 30 June, 2021 could not be confirmed.

Management Response

634. The college has debt and credit management policy and outstanding debts are aged variously.

Committee Observation

635. The Committee observed that the ageing analysis had now been availed.

Committee Recommendation

636. The matter is resolved, and the committee makes no further recommendations.

9.1.12 Hiring of interns as trainers

637. The College hired a total of seven (7) staff members in May and April, 2021 as temporary trainer's contrary to Section 23 of the Technical and Vocational Education and Training Act, 2013 and Regulation 16(1) of the Technical and Vocational Education and Training Regulations, 2015 that requires all trainers to be registered by the Technical and Vocational Education and Training Authority.

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

Management Response

639. The trainers are registered after being hired by PSC and not before.

Committee Observation

640. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response, as provided by section 23 of the TVET Act and Regulation 16(1) of the TVET Regulations 2015.

Committee Recommendation

641. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

9.1.13 Ethnic staff diversity

642. Examination of records provided revealed that the College had more than 90% of its workforce of 11 employees from one dominant community as at 30 June, 2021 contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Management Response

644. Kieni Technical strives to comply with ethnic diversity but sometimes the ethnic combination is beyond the college.

645. At the said year of audit the institution wrote a letter to the PS state department for vocational training to request for trainers.

Committee Observation

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

Committee Recommendation

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

10.0 RUNYENJES TECHNICAL AND VOCATIONAL COLLEGE

648. Mrs. Elizabeth Laichana, Principal, accompanied by the Accountant Ms. Sammy Nyaga appeared before the Committee to adduce evidence on the audited accounts of Runyenjes Technical and Vocational College, on 5th July 2023.

Audited statements for Financial Year 2018/19

10.1.1 Unsupported land balances

649. The statement of financial position reflects property, plant and equipment netbook value of Kshs 57,045,774 as disclosed in NOTE 11 to the financial statements which includes land balance of Kshs 8,000,000. However, no details were provided to support the value of land as disclosed. Although Management had commenced the process of transferring the title from previous owner, the process is yet to be completed.

650. In the circumstances, the accuracy and ownership of land balance could not be confirmed.

Management Response

651. The Valuation of the college property has been done and now the value is available

Committee Observation

652. The Committee observed that the valuation had been done while the ownership documentation was still outstanding.

Committee Recommendation

653. The Committee recommends that the Accounting Officer expedites the land ownership process, and ensures its completion within six months of adoption of this report by the House.

10.1.2 Unsupported general expenses

654. The statement of financial performance and as disclosed Note 7 reflects general expenses totalling Kshs 3,567,600 which includes Kshs 1,494,515 in respect to administration expenses. However, the ledger provided to support the expenses reflects an amount of Kshs. 1,594,515 resulting to an un explained and unreconciled variance of Kshs. 100,000. In addition, an amount of Ksh. 10,000 in respect of development which was included as part of general expenses was not supported with ledgers and schedule.

655. In the circumstances, the completeness and accuracy of the amount of Kshs. 3,567,600 incurred on general expenses could not be confirmed.

Management Response

656. The college has revised the financial statements using the correct figure of ksh 1,594,515. This is because the figure is supported by ledgers prepared which are more accurate unlike the figure of 1,494,515 which no ledgers were available when it was being prepared.

657. The Kshs. 10,000 that was not support is accounted for in the training and development vote head as has been accounted for.

Committee Observation

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

Committee Recommendation

659. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.3 Unsupported receivables from non-exchange transactions

660. The statement of financial position reflects a balance of Kshs. 1,215,000 in respect of receivables from non-exchange transactions. However, Management did not provide details of the outstanding tuition fees receivables by names of students, course taken, amount paid and amount outstanding to support the balance.

661. In the circumstances, the accuracy of the balance of Kshs. 1,215,000 in respect of receivables from non-exchange transactions could not be confirmed.

Management Response

662. The figure of ksh 1,215,000 which was not supported during audit review has now been supported by students list who were to benefit once receivable is received.

Committee Observation

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

Committee Recommendation

664. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.4 Budgetary control and performance

665. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 12,134,600 and Kshs.4,902,552 respectively resulting to an under funding of Kshs. 7,232,048 or 60% of the budget. Similarly, the expenditure budget was Kshs 12,134,600 against the actual expenditure of Kshs. 5,643,853 or 47 % resulting to an under expenditure of Kshs. 6,490,747 or 53% of the budget.

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

Management Response

667. During the period under audit review it was realized the budget that was being implemented was not realistic because of underfunding and underutilization.

668. The supplementary budget has been prepared and presented.

Committee Observation

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

Committee Recommendation

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

10.1.5 Lack of internal audit function and audit committee

671. The college has not established an internal audit function and an audit committee of the board. This is contrary to section 73 of the Public Finance Management Act, 2012.

Management Response

672. The organization was very small by then and it had only 5 board members who could not be split in to committees and therefore could not constitute Audit committee.

Committee Observation

673. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the audit committee was in place and part time auditor appointed.

Committee Recommendation

674. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.6 Lack of risk management policy and strategy

675. The college management had not put in a place a Risk Management Policy, strategies and Risk register to mitigate against risk. This is in contravention of regulation 165 (1) (a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and the county government entity develops a system of risk management and internal control that builds robust business operations.
676. In the circumstances, it is not possible to determine the effectiveness of controls implemented to minimize risks.

Management Response

677. The audit review the policy was not available because the college was in it initiation stage and so many things needed to be put in place at the same time.
678. Currently the college has the risk management policy in place.

Committee Observation

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

Committee Recommendation

680. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.7 Failure to maintain the petty cash book

681. Review of supporting documents revealed that administration expenses relating to daily costs of running the college were issued through petty cash. However, the college did not maintain a petty cash book to record the receipts and payments contrary to the requirement of Regulation 92(14) of the Public Finance Management (National Government) Regulations, 2025 which requires the holder of a standing imprest to maintain a memorandum cash book.

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

Management Response

683. By then the petty cash book was maintained in the receipt and payment cash book in the column of the petty cash. Currently the petty cash cashbook is maintained in the system which is more reliable.

Committee Observation

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

Committee Recommendation

685. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2019/20

10.1.8 Inaccuracy in opening balances

686. Review of the financial statements revealed variances between the opening and the audited comparative balances as shown;

Item	Financial statements opening balance	Audited comparative balance	Variance
cash and cash equivalents	1,297,222	107,042	1,190,180
property, plant and equipment	0	57,045,774	57,045,774
Trade and other payables	674,980	974,980	300,000
Capital Fund	1,490,650	57,187,048	55,696,398
Transfers from National Government	4,920,650	3,430,000	1,490,650
use of goods and services	38,294	4,313,413	4,275,119
Employee costs	1,961,939	2,009,939	47,687

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

Management Response

688. During the period under audit there were variances in the opening balances, this has been rectified in the amended financial statement.

Committee Observation

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

Committee Recommendation

690. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.9 Inaccuracy of the statement of change in net assets

691. The statement of changes in net assets reflects kshs. 5,646,146 in respect to total balance as at 30 June 2020 which include a balance of kshs. 4,203,007 on retained earnings which further includes kshs. 47,510 in respect to transfer of depreciation/amortization from capital fund to retained earnings. However, supporting documents including ledgers and valuation reports in support of the same were not provided for audit review.

692. In addition, statement reflects a nil balance in respect to capital/development grants/fund as at 30 June, 2019 and 1 July, 2019. However, a recast of the balances reflects kshs. 2,073,732 leading to unexplained variance of the same amount.

693. Further, the statement reflects total balance of kshs. 583,082 at 30th June, 2019. However, a recast of the same result kshs. 2,073,732 leading to unexplained variance of kshs. 1,490,650

694. In the circumstances, the accuracy and completeness of the balance of kshs. 5,646,146 in respect to reserves in the statement of changes in net assets could not be confirmed.

Management Response

695. During the period under review there were no ledges to support the figure kshs 47,510 in the transfer of depreciation this has now been correctly and the depreciation for the year is kshs 1,110,540.

696. Also the opening balance of kshs 1,490,650 has been worked out.

Committee Observation

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

Committee Recommendation

698. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.10 Unsupported transport and travelling expenditure

699. The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of kshs. 4,660,764 in respect to use of goods and services which includes kshs. 975,360 for local transport and travelling. The expenditure includes kshs. 106,600 whose supporting documents including bus tickets, invitation letters, authority to use own vehicle, return to office reports and meeting minutes were not provided for audit review.
700. In the circumstances, the accuracy of the amount of kshs. 106,600 in respect to transport and travelling expenditure could not be confirmed.

Management Response

701. The value of kshs 106,600 that was not well supported during the audit review has now been supported.

Committee Observation

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

Committee Recommendation

703. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.11 Unsupported rendering of services

704. The statement of financial performance and as disclosed in Note 7 to the financial statements reflect an amount of kshs 2,749,570 in respect to rendering of services which relates to fees from students. However, the review of fees records reveals that fees payable was kshs. 3,028,634 resulting to a variance of kshs. 279,064. Further, the manually maintained fees register was not updated with the last entry made in September, 2019.
705. In the circumstances, the accuracy and completeness of the amount of kshs. 2,749,570 in respect to rendering of services could not be confirmed.

Management Response

706. Rendering of services during the period under audit shown that fee payable is kshs 3,028,634, this is the correct figure unlike kshs 2,749,570 which was calculated on cash basis which is wrong and therefore there is no variance.

Committee Observation

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

Committee Recommendation

708. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.12 Trade and other payables from exchange transactions

709. The statement of financial position and as disclosed in Note 17 to the financial statements reflects a balance of kshs.2,374,972 in respect to trade and other payables from exchange transactions which includes kshs. 1,462,600 and kshs. 544,200 in respect to fees paid in advance and undistributed bursary respectively. However, the ledger provided for audit review reflects kshs. 1,066,720 and kshs. 506,000 respectively all totaling kshs. 1,572,720 resulting to unexplained variance of kshs.434,080.
710. In the circumstances, the accuracy of the balance of kshs. 2,374,972 in respect to trade and payables from exchange transactions could not be confirmed.

Management Response

711. There were variances that existed after recasting the trade payables this has been worked in the revised financial statement and ledgers provided for review to support the figure kshs. 2,374,942.

Committee Observation

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

Committee Recommendation

713. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.13 Misstated property, plant and equipment

714. Note 16 to the financial statements reflects an amount of kshs. 2,640,078 in respect to property, plant and equipment. However, the balance was not supported by an asset movement schedule. Further, review of documents revealed that the college inherited land, buildings, office equipment and furniture and fittings of unknown value from the Ministry of Education, Science and Technology. However, the respective assets have not been valued and the kshs. 2,640,078 is therefore an understatement
715. Further, the college is located on an 8 acre piece of land with the title showing the name of a youth polytechnic. Although management is pursuing the transfer process of the land to the college's name, there was no evidence of the action taken by the management to acquire title deed.

716. In the circumstances, the accuracy, completeness and ownership of the balance of kshs. 2,640,278 in respect to property, plant and equipment could not be confirmed.

Management Response

717. The figure of kshs 2,640,078 in respect to PPE was not supported by movement schedule this has now been worked in the revised financial statement and the movement schedule is now in place.

Committee Observation

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

Committee Recommendation

719. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.14 Unsupported receivables from exchange transactions

720. The statement of financial position and as disclosed in Note 15(a) to the financial statements reflects a balance of Kshs. 660,100 in respect to current receivables from exchange transactions which relates to student debtors. However, the debt management policy, individual student ledgers detailing course taken, amount billed, amount paid and outstanding balance were not provided for audit review. Further, the college did not set a provision for bad and doubtful debts contrary to paragraph 72 of the International Public Sector Accounting Standards (IPSAS) 29 which requires the carrying amount of an asset to be reduced either directly or through use of an allowance account if there objective evidence that an impairment loss on loans and receivables or held to maturity investments carried amortized cost has been incurred.

721. In the circumstances, the accuracy and recoverability of Kshs.660,100 in respect to receivables from exchange transactions could not be confirmed.

Management Response

722. The note 15(a) to financial statement reflected kshs 660,100. This has been worked out and ledgers has been provided for review.

Committee Observation

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

Committee Recommendation

724. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.15 Unsupported receivables from non- exchange transactions

725. The statement of financial position and as disclosed in Note 15(b) to the financial statements reflects a balance of kshs. 3,272,500 in respect to receivables from non-exchange transactions whose supporting ledgers were not provided for audit review.
726. In the circumstances, the accuracy of the balance of kshs.3,272,500 in respect to receivables from non-exchange transactions could not be confirmed.

Management Response

727. The figure of kshs 3,272,500 which was not supported during the period under review has now been supported with the respective ledgers.

Committee Observation

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

Committee Recommendation

729. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.16 Inaccuracy in transfers from national government ministries

730. The statement of financial performance and as disclosed in Note 6 to the financial statements reflects an amount of kshs. 7,147,500 in respect to transfers from national government Ministry whose supporting documents including ledgers, notification of fund transfer letters from the ministry and copies of acknowledgement receipt from the college were not provided for review. Further, the amount includes kshs. 3,000,000 in respect to grants. However, records obtained from the ministry reflects a balance of 3,812,500 resulting to an unexplained and unreconciled variance of kshs. 812,500
731. In the circumstances, the accuracy of the amount of kshs. 7,145,500 in respect to transfers from national government ministries could not be confirmed.

Management Response

732. The documents that missed to support the Figure of kshs 7,147,500 now been provided.

Committee Observation

733. The Committee observed that from the outstanding sums, Kshs. 812,500 was still unexplained as the institute had not received the sums in its accounts.

Committee Recommendation

734. The Committee recommends that the Accounting Officer to reconcile the figure of Kshs. 812,500 with the mentor institution within three months of adoption of this report by the House.

10.1.17 Unsupported employee costs- casuals

735. The statement of financial position and as disclosed in Note 10 to the financial statements reflects an amount of Ksh. 966,288 in respect to employee costs which include kshs. 152,800 in respect to five (5) casuals employed on January 1, 2018. However, supporting documents including how the wages were determined were not provided for audit review.

736. In the circumstances, the accuracy and value for money for kshs. 152,800 expenditure on employee costs could not be confirmed.

Management Response

737. The figure kshs 152,800 in respect to casual's payment was not supported by document on how the wages were determined. This was determined by prevailing market rates where a non-skilled person is paid kshs 350 for ladies and kshs 400 for men because of the hard work they do like uprooting trees unlike ladies who are only supposed to clean only.

Committee Observation

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

Committee Recommendation

739. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.18 Unsupported remuneration of directors

740. The statement of financial performance and as disclosed in Note 11 to the financial statements reflects an amount of kshs. 638,000. In respect to remuneration of directors whose supporting documents to justify the rates used for payment were not provided for review.

741. In the circumstances, the accuracy of the expenditure of kshs. 638,000 incurred on remuneration of directors could not be confirmed.

Management Response

742. The allowance given to Director of kshs 638,000 have now been supported by minutes on how the rates were arrived.

Committee Observation

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

Committee Recommendation

744. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.19 Budget control and performance

745. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of kshs. 23,208,000 and kshs. 9,928,070 respectively resulting to an under funding of kshs. 23,208,000 or 57% of the budget. Similarly, the expenditure of kshs. 16,852,345 or 73% of the budget.
746. The underfunding and under performance affected the planned activities of the college and may have impacted negatively on the service delivery to the public.

Management Response

747. The college has taken key note on the budget preparation to have a realistic budget, however the underfunding is mostly caused by delayed or not capitation disbursed which affects the running of the college.

Committee Observation

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

Committee Recommendation

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

10.1.20 Human resource management

750. During the financial year under audit the management recruited three (3) employees who were paid kshs 190,000 for the year under review. However, no evidence was provided for audit review to confirm that the college had a scheme of service and/or human resource manual/policy to guide the recruitment process. In addition, the college's staff establishment had not been approved by the public service commission contrary to the ministry of education; state department of vocational and technical education circular Ref no:

MST/DTE/1/1 dated 12 July ,2019 which requires TVET institutions to develop a staff establishment with clear justifications for consideration and approval by the Public Service Commission.

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

Management Response

752. The college didn't have staff establishment document approved by the ministry during the period under Audit review but now it is in place and being implemented.

Committee Observation

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

Committee Recommendation

754. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.21 Lack of internal audit department

755. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

10.1.22 Lack of an ICT policy

756. The college did not have an approved ICT policy in place during the year under review which includes data security policy and disaster recovery plans. Further, Information Technology (IT) steering committee for ensuring effective IT controls and strategies.

757. In the circumstances, the security and reliability of the college data including its management information system could not be confirmed.

Management Response

758. The college lacked an ICT policy during the under audit but now is in place.

Committee Observation

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

Committee Recommendation

760. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Year 2020/21

10.1.23 Inaccuracy in financial statements

761. The statement of financial position reflects a balance of kshs 13,120,580 and kshs 48,858,453 in respect to retained earnings and capital fund respectively. However, these amounts have not been included in the statement of changes in net assets and the sources of the amounts could not be ascertained.
762. The statement of financial performance reflects kshs 50,000 in respect to provision for audit fees. However, the same amount has been included in the use of goods and services of kshs 5,182,980 as disclosed in note 12 to the financial statements.
763. The statement of changes in net assets reflects kshs 5,693,657 and 56,133,230 relating to total retained earnings and capital fund as at 1 July 2020 respectively. However, the balances appearing in the audited statement of changes in net assets as at 20 June 2020, showed retained earnings of kshs 4,203,007 and capital fund balance of kshs 1,443,139. The difference of kshs 1,490,650 and kshs 51,930,223 respectively has not been reconciled or explained. Further, the statement does not provide the totals as at 30th June 2021 contrary to the reporting template.
764. Review of the statement of financial position revealed variances between the opening and the audited comparative balances as shown below;

item	Financial statements opening Balances (kshs)	Audited Comparative Balances(kshs)	Variances(kshs)
Property Plant and Equipment	58,902,811	2,640,078	56,262,732
Retained Earnings	5,693,657	4,203,007	1,490,650
Capital Fund	56,215,222	1,443,139	54,772,082

765. In the circumstance, the accuracy and completeness of the financial statement could not be confirmed.

Management Response

766. The figure of kshs 13,120,580 and kshs 48,858,453 in respect to retained earnings and capital fund respectively was not factored in the statement of changes in net asset during the Audit process. This has now been factored in the restated revised financial statement using the

correct figure of kshs 7,754,657 and figure kshs 57,633,230 for retained earnings and capital funds respectively which has also been worked out in the changes in the Net Assets.

767. During audit it was noted that a provision for audit fees of kshs 50,000 was wrongly included as an expense in the statement of financial performance, this has now been excluded from the statement of financial performance.
768. During the period under audit there were variances in the figures for retained earnings and capital fund in the statement of changes in the net asset and balances in statement of financial position this has been worked correctly in the restated financial statement and there are no variances.
769. The variances that existed in the opening balances have been restated in the revised financial statements and there no variances.

Committee Observation

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

Committee Recommendation

771. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

10.1.24 Unsupported property, plant and equipment

772. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendation on the same.

10.1.25 Budgetary control and performance

773. The statement of Comparison of budget and actual mounts reflects final receipts budget and actual on comparative basis of kshs 16,155,500 and kshs 9,390,367 respectively resulting to an under funding of kshs 6,765,133 or 42% of the budget. Similarly, the statement reflects expenditure budget of kshs 16,155,500 against actual expenditure of 7,148,221 resulting to an under-expenditure of kshs 9,007,279 or 56% of the budget.
774. The underfunding and under expenditure affected the planned activities of the college and may have impacted negatively on service delivery to the public.

Management Response

775. The college has taken key note on the budget preparation to have a realistic budget, however the underfunding is mostly caused by delayed or not capitation disbursed which affects the running of the college.

Committee Observation

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

Committee Recommendation

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

10.1.26 Lack of internal audit department

778. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

10.1.27 Use of manual payroll

779. Review of the college payroll records revealed that College uses Manual system in computing changes in employee salaries. The manual system requires manual calculation of deductions which could be prone to human error and manipulation.

780. In the circumstances errors and manipulations in the manual payroll systems cannot be easily detected.

Management Response

781. The college has been using the manual payroll because the module for human resource has not been installed because of financial constraints. The implementation of automation of the MIS modules is in progress and the college has installed finance, admission, procurement, asset, Examination and student portal modules. The installation for Human Resource module will be implemented in the financial year 2023/2024.

Committee Observation

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

Committee Recommendation

783. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

11.0 KAMUKUNJI TECHNICAL AND VOCATIONAL COLLEGE

784. Mr. Simon Gathii Njoroge, Principal, accompanied by the Accountant, Mr. Jared Opiyo appeared before the Committee to adduce evidence on the audited accounts of Kamukunji Technical and Vocational College, on 9th August 2023.

Audited statements for Financial Year 2018/19

785. The institution was not audited in the subject financial year as it was established in the year 2020.

Audited statements for Financial Year 2019/20

786. The institution was not audited in the subject financial year as it was established in the year 2020.

Audited statements for Financial Year 2020/21

11.1.1 Property, plant and equipment

787. The statement of financial position and as disclosed in Note 21 reflects accumulated fund balance of Kshs.546,223 which was not explained or supported. Further, the statement of financial position reflects property, plant and equipment balance of Kshs.55,699,747 which excludes equipment in the institution and 4.7 acres parcel of land of unknown value which belongs to the College where the institute stands. In addition, evidence of ownership of the parcel of land was not provided for audit verification.

788. In the circumstances, the accuracy and completeness of the balances of Kshs. 546,223 on accumulated could not be confirmed.

Management Response

789. In 2016, the Ministry of Education commenced the construction of Kamukunji Technical and Vocational College through Murang'a University. The construction involved. Gok contributed ksh 43,4740,660 while Kamukunji CDF contributed Ksh 10,000,000 towards the Erection and completion of twin workshop, classrooms and offices block [2- storey). This was carried out by Murang'a University, hence the Kamukunji Technical Building value was ksh 53,740,660 as at 28th July 2020, the time of handing over by Muranga University. Depreciation @2% as at 30th June 2021 = 52,665,847

790. The Institution has not done any valuation of its Properties. The only value that is available is the cost of construction of the buildings plus any items that has been purchased since inception.

791. The school received furniture worth Ksh 3,371,000 which were procured by Nairobi Technical Training Institute. The amount was subjected to 10% Depreciation, resulting in a value of Kshs. 3,033,900.

792. Training equipment in Hospitality (Food & Beverage, hairdressing and beauty therapy) were supplied by Avic International Holdings Corporation of China through the Kenya – China TVET project phase II and were received by the ministry officials due to the fact that a principal had not been posted to Kamukunji Technical at that time. The Installation and commissioning of the equipment was done by the same company. There were no Records showing the cost of the equipment.

793. 4.7 acres parcel of land of unknown value which belongs to the institute stands lacks a title deed. The land on which the college is built was hived off from land belonging to Eastleigh Airport primary school.

Committee Observations

794. The Committee observes that the matter has been resolved as the Auditor General was satisfied with the management's response.
795. However, the 4.7 acres parcel of land on which the institution stands is yet to be valued and the institution to receive the title deed.
796. The management demonstrated continued engagement with the National Lands Commission and County Government for ownership of its land.

Committee Recommendations

797. The Committee recognises that the institution is a pioneer technical institute and recommends that
- i. the Accounting Officer intensifies efforts to obtain land ownership documents before the subsequent audit year.
 - ii. the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

11.1.2 Receivables from exchange transactions

798. The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from exchange transactions as at 30 June, 2021 of Kshs. 4,862,181. An analysis of records in respect to the debt revealed that it comprises NGCDF Kamukunji Constituency balance of KShs.2,632,120 and individual students balance of Kshs 2,485,965 less impairment allowance of Ksh.255,904. However, records from Kamukunji Constituency Development Fund did not disclose the amount outstanding under pending accounts payable. Therefore, the certainty of the amount owing from Kamukunji Constituency could not be established. Further, the college did not prepare an aging analysis of the debt.
799. In the circumstances, the accuracy of the current portion of receivables from exchange transactions balance of Kshs 4,862,181 could not be confirmed.

Management Response

800. In excluding other levies (caution money, student id charge, student insurance cover and examination fee), fees payable per student is ksh 56,420 per year of which ksh 30,000 is government capitation (to be paid by government). Balance of ksh 26,420 is borne by either Parent/sponsor or HELB loan which is optional.

801. Ksh 30,000 government capitation is paid to the institutions at the rate of ksh 7500 per every three months (quota) per student per year. As at 30th June 2021, the GoK had only paid one quota of Ksh 555,000 for 74 students who had been admitted to the college in January 2021(Quota 1). There was a balance of ksh 1,665,000 for the 74 students who were in session which was paid by GoK in the subsequent Three (3) quotas (FY 2021/2022).
802. Balance of ksh 26,420 is borne by either Parent/sponsor or HELB loan which is optional. The National Government Constituency Development Fund- Kamukunji Constituency (CDF) had committed to pay college fees for the first 200 students admitted to Kamukunji Technical and Vocational College. Kamukunji Constituency Development Fund sponsored 86 students to Kamukunji Technical and Vocational college and Ksh 780,000 on 22nd March 2021. We are still following up with Kamukunji Constituency Development Fund for them to honour their commitments.

Committee Observation

803. The Committee observes that the management responses are in light with the situation and there is evident follow up on the matter(s) of NGCDF by the Member of Parliament.

Committee Recommendation

804. The Committee recommends that the Accounting Officer makes it a priority to follow up on the payments with the concerned Member of Parliament so that they may be able to clear the payments and reconcile their books. This is to be actioned before the subsequent audit year.

11.1.3 Budgetary control and performance

805. The statement of comparison of budget and actual amounts does not reflect any revenue budget but reflects an expenditure budget of Kshs.1,760,000 against actual expenditure of Kshs. 4,565,805 resulting to an over expenditure of Kshs.2,805,805 or 159% of the budget amount.
806. Further, Management has not provided footnotes to explain differences between the actual and budgeted amounts for the various budget items where variance exceeds 10% as required under the revised template provided by the Public Sector Accounting Standards Board.
807. In the circumstances, Management needs to relook its budget mechanism with an aim of making it more realistic.

Management Response

808. Ministry of Education, State Department of Vocational and Technical Training vide a letter Ref.No MST/DTE/6/5/VOL. V, dated 10th February 2020 appointed Nairobi Technical Training Institute to mentor Kamukunji Technical and Vocational College. Kamukunji TVC at the moment is still under Nairobi Technical Training Institute (mentoring institution)

which will be overseeing its key operations for a period of time until when the institute is ready to stand on its own. All procurement of Goods and services for Kamukunji Technical were carried out through Nairobi Technical and they thereafter invoiced Kamukunji Technical.

Committee Observation

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

Committee Recommendation

810. The Committee recommends that –

- i. the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets;
- ii. the Institution develops income generating activities to supplement their financial flow so that they are not dependent only on government funding.

11.1.4 Lack of approved policy documents

811. Review of the records provided revealed that the College lacks an approved finance manual, information communication technology (ICT) policy, career progression policy, academic policy and human resource manual. In addition, the College did not have an approved disaster recovery plan.
812. Under the circumstances, this may interfere with good governance within the organization.

Management Response

813. The school is still under Nairobi Technical Training Institute (mentoring institution) which will be overseeing its key operations for a period of time until when the institute is ready to stand on its own.
814. The college admitted its 1st batch of students in January 2021. At that time, the college only had a principal, a deputy principal and four trainers posted by the Public Service Commission. There were no other management structures (accounts, procurement and human resource) to help the principal run the institution.
815. The college did have capacity to develop the policies. However, the college has now developed the Strategic plan, Service Charter, Human Resource Manual, Career progression, Finance manual, ICT policy and Constitution.

Committee Observation

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

Committee Recommendation

817. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

12.0 PC KINYANJUI TECHNICAL TRAINING INSTITUTE

818. Ms. Nancy Njui, Principal, accompanied by;

i) Ms. Alice Macharia- Finance Officer

appeared before the Committee to adduce evidence on the audited accounts of PC Kinyanjui Technical Training Institute, on 9th August 2023.

Audited statements for Financial Year 2018/19

12.1.1 Property, plant and equipment

819. The statement of financial position under Property Plant and Equipment balance of Kshs. 869,917,475 as at 30 June 2019 includes land totaling Kshs. 320,000,000 as disclosed in note 18 to the financial statements for which the Institute does not have a title deed. Also included in the statement of financial position under Property plant and equipment are various assets amounting to Kshs. 869,917,475 whose valuation reports were not availed for audit review.
820. In the circumstances, it has not been possible to confirm the accuracy, validity and completeness of Property Plant and Equipment balance of Kshs. 869,917,475.

Management Response

821. In its effort to secure a title deed for the institute, the management engaged all stakeholders and filed a case in court where the institute was represented by the Attorney General's office. Besides a court case on the matter that was filed by the church on 18/06/2009, case No. 289/2009 was heard in April 2019 and the judgment delivered in favour of the Orthodox Church. The two parties agreed to live in harmony and plans are underway to engage a third party to assist in developing an MoU on how to coexist.
822. The institute tagged and valued the assets in the FY 2022/2023 and have now maintained an asset register with details of all the assets in the Institute including depreciation. Documents relating to the process and a copy of the asset register have been availed.

Committee Observation

823. The Committee notes that PC Kinyanjui is a public institution under the Ministry of Education and is mandated by the TVET Act of 2013 to possess its own title deed, thereby facilitating the development of its infrastructure.

Committee Recommendation

824. The Committee recommends that the Office of the Attorney General commences the process of compulsory acquisition as provided for in the Constitution of Kenya under Article 40 (3) and the Public Land Act 2012.

12.1.2 Revenue from exchange transactions- contingency

825. The statement of financial position reflects a contingency balance of Kshs. 13,850,070 as at 30 June 2019 which refers to forged cheques which were forged in the financial years 2011-2012 to 2013/2014. This is a case of misappropriation of funds. The institute has filed the case at Kibera court and is still ongoing.
826. In the circumstances that the Institute loses this case the Institute will lose the above mentioned amount.

Management Response

827. The amount relates back to FY 2011/2012, 2012/2013, 2013/2014, where the money was misappropriated by the officers in charge of the finance department. A case was filed at Kibera court and is still ongoing. The amount will be adjusted accordingly and will appear in our report until the case is over and advised further by the management.
828. The case was determined in March 2023.

Committee Observations

829. The Committee observed that one of the accused persons was found to have committed an offence of forgery, under the Sections 210 and 215 of the Criminal Procedure Code.

Committee Recommendation

830. The committee recommends that the institute seeks a legal opinion from the Office of the Attorney General on recoverability of Ksh. 13,850,070.

12.1.3 Budgetary control and performance

831. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amount of Kshs 203,589,122 and Kshs 240,687,791 respectively resulting to an over-funding of Kshs 37,098,669 or 16% of the budget. Similarly, the Institute incurred expenditure of Kshs of Kshs 201,673,322 against an approved expenditure budget of Kshs 222,789,122 resulting to an under-expenditure of Kshs 21,115,800 or 10% of the budget.
832. The underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders and the public.

Management Response

833. The over collection of revenue of Kshs 37,098,669 was due to government policy on subsidizing Technical and Vocational Training Institution (TVET) through capitation of Kshs 30,000 per student. This has led to an increased enrollment at the Institute.

834. In future the over-collection will be budgeted for and a supplementary budget for that Financial Year will be prepared and submitted to The National treasury and Ministry of Education for approval through the institute Board of Governors.

Committee Observation

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

Committee Recommendation

836. The Committee recommends that the Accounting Officer henceforth reviews and prepares supplementary budgets as is required by the National treasury.

12.1.4 Staff ethnic composition

837. The National Cohesion and Integration Act No.12 of 2008, Section 7(1) and (2) provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. An examination of the personnel records of the Institute revealed that the institute had 45% of the staff population from one ethnic community.

838. In the circumstances, the institute is in breach of the law.

Management Response

839. The institute is located in Dagoretti South Constituency which is a predominantly Kikuyu area. The land in which the institution is build was donated by the Paramount Chief Kinyanjui's family. This is a historical issue which arose at the initial stages of establishing the institution where most of the BOG staff were from the kikuyu community. However some have exited from the Institution through resignation and retirement and have been replaced by the least represented ethnic communities. The Institute is also growing gradually and engaging new staff from other ethnic communities.

Committee Observations

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

841. Unlike institutions located in rural areas, PC Kinyanjui is in Dagoretti South, a cosmopolitan area in the capital Nairobi. The management's explanation is not valid, compounded by the fact that they had not remedied it in three successive financial years.

Committee Recommendations

842. The Committee reprimands the Accounting Officer for not remedying the situation in three financial years, and recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.
843. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

Audited statements for Financial Year 2019/20

12.1.5 Ownership and valuation of Property, plant and equipment

844. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.6 Contingency Asset

845. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.7 Budgetary control and performance

846. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation

12.1.8 Regional diversity

847. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.9 Lack of an approved risk management policy

848. A review of the institute policies revealed that the institute does not have approved risk management policy strategies and risk register to mitigate against risk. It was therefore not clear how the management handles risk exposures. This is in contravention of Regulation 165 (1)a and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting officer to ensure that national government entities develops risk management strategies, which include fraud prevention mechanism and the national government entity develops a system of risk management and internal control that builds robust business operations.

Management Response

849. The Institute developed a Risk Management Policy in the FY 2021/2022 and is able to handle risk exposures through the risk management strategies enumerated in the various risk likely to occur during the operations. A copy of the policy has been availed.

Committee Observation

850. The Committee observes that the matter had been resolved as the institute now has a Risk Management Policy in place.

Committee Recommendation

851. The matter is resolved and the committee makes no further recommendations.

Audited statements for Financial Year 2020/21

12.1.10 Uncertainty in receivables from non-exchange transactions

852. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

12.1.11 Lack of ownership documents

853. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation

12.1.12 Budgetary control and performance

854. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation

12.1.13 Lack of ethnic diversity in staff establishment

855. The Committee notes that the matter had been addressed in the previous financial year and reiterates its recommendation.

13.0 THIKA TECHNICAL TRAINING INSTITUTE

856. Ms. Hannah Mburu, Principal, accompanied by the Finance Officer, Mr. Stephen Mburu appeared before the Committee to adduce evidence on the audited accounts of Thika Technical Training Institute, on 9th August 2023.

Audited statements for Financial Year 2018/19

13.1.1 Unsupported opening balances and comparative figure

857. The management did not submit financial statements for the 2017/2018 financial year to the Auditor General for audit. This is contrary to the requirements under Section 47 (1) of the Public Audit Act, 2015 which requires the financial statements to be submitted to the Auditor General within three months after the end of the fiscal year.
858. Consequently, the validity, completeness, and accuracy of the opening balances of total assets, total liabilities and total capital and reserves of KShs. 63,119,903, KShs. 15,000,000 and KShs. 48,119,903 respectively and the comparative figures for 2017/2018 financial year reflected in these financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

859. Financial statements for year 2017/2018 were issued to school auditor for auditing but the audit was not performed since it was during transition period from the school Auditor to Auditor General. The directive from National Treasury through letter Ref:AG.4/16/2VOL.2(84) dated 6th September 2018 directed the principals of Technical and Vocational colleges to submit financial statement to Auditor General for auditing, while the previous years were being audited by the Ministry of Education – school auditors.
860. The management discussed the matter of unaudited financial statements during the audit of year 2021/2022 books and the financials were presented for opening balances verification.

Committee Observation

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

Committee Recommendation

862. The Committee severely reprimands the Accounting Officer recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.2 Misclassified development fund

863. The statement of changes in net assets and statement of financial position reflects a development fund balance of KShs. 10,472,525 as at 30th June 2019. The balance brought forward an amount of KShs 8,434,725 and development grants received during the year of Kshs. 2,037,800 is in respect of deferred income. However, deferred income is not a long term liability and was therefore inappropriately reported under capital and reserves.

Management Response

864. The amendment has been done in the year 2019/2020, as Note 25 to finance statements for year 2019/2020.

Committee Observation

865. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response after verifying the amendments.

Committee Recommendation

866. The Committee recommends that the management adheres to the format provided by the Public Sector Accounting Board for the preparation of financial statements.

13.1.3 Overstated accumulated surplus

867. Disclosed in the statement of changes in net assets is accumulated surplus balance of K.shs. 249,569,787. However, the balance includes an amount of Kshs. 48,326,359 described as 'transfer of depreciation from retained earnings to capital fund' which ordinarily is included and expensed through the statement of financial performance for the year.
868. The amount was therefore double counted as an expenditure and reversed in the statement of changes in net assets thus overstating the accumulated surplus for the year. Consequently, the completeness and accuracy of accumulated surplus of KShs. 249,569,787 as at 30 June 2019 could not be confirmed.

Management Response

869. The depreciation that was transferred from accumulated surplus to the capital fund is purely depreciation on capital donations. The transfer was to ensure that the depreciation on assets donated is charged on the capital fund reserves to ensure as these assets are depreciated in the statement of financial position, the same effect is also transferred to the reserves for those assets.

Committee Observation

870. The Committee observes that the matter had been resolved as the accumulated surplus had been regularized in subsequent financial years.

Committee Recommendation

871. The Committee recommends that the Accounting Officer henceforth complies with the provisions of the Public Sector Accounting Standards Board.

13.1.4 Inaccuracy of comparison of budget and other amounts

872. The statement of comparison of Budget and actual amounts reflects final expenditure budget of KShs. 309,999,000 while the re-casted balance amounts to 311,799,000, resulting to unexplained nor reconciled variance of KShs. 1,800,000.

Management Response

873. This was a casting error that did not affect the overall financial statements for the year. In the subsequent year we ensured that such errors were eliminated.

Committee Observation

874. The Committee observes that the matter had been resolved as the issue had been regularized in the subsequent financial year.

Committee Recommendation

875. The Committee reprimands the officer in-charge and recommends that henceforth management prepares financial statements according to the prescribed Public Sector Accounting Standards Board requirements.

13.1.5 Understated revenue

876. The statement of financial performance reflects a total revenue of KShs. 391,172,127 for the financial year ended 30 June, 2019. However, the re-casted balance is KShs. 392,172,127 resulting to an unexplained and unreconciled variance of KShs. 1,000,000,
877. Consequently, the accuracy and completeness of the reported total revenue of KShs. 391,172,127 for the financial year ended 30 June 2019 could not be confirmed.

Management Response

878. This was a typing error that occurred while transferring statement of finance performance from excel to word reporting document. The total income was indicated as KShs. 391,172,127 instead of KShs. 392,172,127. However, the surplus for the year was not affected and the balances reported in the statement of changes in net assets and statement of financial position were not affected. This error was correct in the year 2019/2020.

Committee Observation

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

Committee Recommendation

880. The Committee reprimands the officer in-charge and recommends that henceforth management prepares financial statements according to the prescribed Public Sector Accounting Standards Board requirements.

13.1.6 Budget control

881. The statement of comparison of Budget and actual amounts reflects a final budgeted revenue and expenditure of KShs. 309,999,000 against actual revenue and expenditure revenue and expenditure of KShs. 190,307,818 and KShs. 172,960,403, indicating budget and expenditure performance of 61% and 56% respectively.
882. Further, the institute incurred over expenditure on compensation of employees and remuneration of directors amounting to KShs. 42,099,655 and KShs. 540,104 respectively. However, no evidence was approved by the board of Governors.

Management Response

883. The management included the explanatory notes on all the variances between budget and actual amounts on page 6 of the year 2018/2019 financial statements which are as follows:
- i. The over expenditure on compensation of employees is due to a classification error whereby the budget for parallel program trainers was included under tuition expense falling

in the category of use of goods and services, while the actual expense was recognized under employee cost.

ii. The over expenditure on Board of Governors expenditure was due to a training that was carried out by ministry that required board members to attend. This training was not included in the budget.

Committee Observation

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

Committee Recommendation

885. The Committee Reprimands the Accounting Officer and recommends management henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.7 Contractual employees

886. Records presented for audit revealed that Thika TTI had a total of ninety employees on contractual terms as at 30 June, 2019. However, there was no evidence indicating that the contracts were discussed and approved by the Board of Governors contrary to the provisions of paragraph 3.5.2 of the institute's Human Resource Policies Manual, which requires the Board's approval for all the contractual engagements.

Management Response

887. The Renewal of the employee contracts during the year were approved by the board of Governors as demonstrated in the attached sample of minutes of the Full board meeting.

Committee Observation

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

Committee Recommendation

889. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.8 Corporate governance

890. A review of records on the institute revealed that some members of the board of Governors were signatories to the Institute's bank accounts and were therefore involved in day to day running management of the affairs of the institution. This is contrary to provisions of

paragraph 22(6) of the second schedule of the Technical and Vocational Education and Training Act, 2013 which authorises only the principal, as a member of the Board, to be involved in day to day management of the affairs of the institution. In addition, it would be impractical for the Board to oversight over the same activities they manage.

Management Response

891. During the year 2020/2021, the Board of Governors passed a resolution to change the signatories to only members of management staff.

Committee Observation

892. The Committee observes that the Board of Governors' responsibility is to oversee the institution's management and not to interfere with it.

Committee Recommendation

893. The Committee recommends that the Board of Governors ceases to interfere with the day to day running of the institution and to adhere to the provisions of the TVET Act 2013.

13.1.9 Internal audit function

894. During the year under review, the Institute operated without an internal audit function and audit committee pointing at a weak governance structure. Although as at the time of audit in August, 2020, management had established an internal audit function and put in place the audit committee, the internal audit had only one staff member. Further, there is no internal audit charter detailing audit work plan, scope, responsibilities and purpose of the internal audit to effectively promote transparency and accountability in the management of resources of the institute.

Management Response

895. The management has informed the board of governors of the need to employ more internal audit staff. Currently the Institute is facing financial constraints due to non-remittance of capitation by the government and not in a position to hire more staff of the internal audit.

896. After the internal audit function was established, an internal audit charter was prepared by the internal auditor detailing audit work plan, scope and responsibilities.

Committee Observation

897. The Committee observes that the institution has an internal audit function and an internal audit charter in place although the department is not adequately staffed.

Committee Recommendation

898. The Committee recommends that the institution employs more internal audit staff in the coming financial year and the Auditor General to report on the issue in the next audit.

13.1.10 Weakness in IT controls

899. During review of Information Technology (IT) control environment revealed lack of an ICT policy, ICT strategy plan and IT steering committee in place. Absence of the policy and strategic plan may lead to inconsistent approach towards addressing ICT issues and data confidentiality, accuracy, reliability, integrity and availability may be compromised.
900. Further, an inspection carried out during the audit revealed that some desktop computers lacked antivirus which could expose the institution to loss of data. In addition, computer server room lacked temperature regulations system thus exposing the hardware to possible damages.

Management Response

901. The management is in the process of developing an ICT policy manual and ICT strategy plan. The IT steering committee was formed on date 5th November 2020. Subsequently the management purchased antiviruses for all the computers and AC was installed in computer server room

Committee Observation

902. The Committee observes that the matter had been resolved as the IT controls had been put in place.

Committee Recommendation

903. The issue is resolved and the committee makes no further recommendations.

13.1.11 Weakness in revenue collection

904. The statement of financial performance reflects revenue from exchange transactions totaling to KShs. 236,132,127 consisting of fees from students, rental income and other income streams. A review of Thika TTI's Enterprise Resource Planning (ERP), Management system and finance module together with academic policy revealed that the institution issues acknowledgement receipts to students upon presentation of bank slips at the finance department.
905. However, the finance department relies entirely on hard copies on bank slips as primary evidence of fees payment without integration or online bank account confirmation on whether the fees had actually been credited into the account. Thus, fictitious deposit slips could be presented and issued with acknowledgement receipts leading to loss of revenue.
906. Further, a review of the institute's ERP revealed a lack of segregation of duties as some officers with administrator rights had access to database and complete data processing

including initiation of deletion of data. The system security and data integrity are therefore compromised or unreliable.

Management Response

907. The management subsequently carried out ERP host to host integration with the bank, therefore, the finance department is able to verify all the receipts promptly given all the details of the students are captured in the bank statement, the receipting is also done automatically in the system.
908. The complication of the due segregation was due to insufficient employees in the finance department. In the subsequent years, the management with the approval of the Board of Governors was able to employ additional three staff in the department.

Committee Observation

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

Committee Recommendation

910. The matter is resolved. The Committee makes no further recommendations.

Audited statements for Financial Year 2019/20

13.1.12 Errors in disclosure and presentation of accounting policies

911. Disclosed in the summary of significant accounting policies under note 4© are taxes International Accounting Standard (IAS) 12 while the financial statements have been prepared in accordance with IPSAS accrual.
912. Further, the accounting policy is misleading as the disclosure policy on tax rates and laws used by the institute relates to generation of taxable income instead of tax exemption as per Income Tax Act.
913. In addition, accounting Policy 4 (d) refers to IPSAS 16 as related to property, plant and equipment instead of the correct IPSAS 17

Management Response

914. *IAS 12*; This was an error that we referred to International Accounting Standard on Taxes, whereas, the institute is exempt from taxes since there is no taxable income being generated by the institute currently. This error was corrected in the year 2020/2021
915. *IPSAS 16*; This was a typing error which we subsequently corrected in the financial statements for the year 2020/2021.

Committee Observation

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

Committee Recommendation

917. The Committee reprimands the Accounting Officer and recommends that henceforth complies with the International Accounting Standards.

13.1.13 Inconsistencies of balances

918. The Review of the financial statements reflected the following inaccuracies

Details	Statement of financial performance	Statement of cash flows	Statement of comparison of budget and actual
Transfer from other government entities	113,872,500	224,355,000	75,915,000
Rendering of services – fees from students	192,893,245	192,554,517	147,710,340
Rental revenue from facilities and equipment	12,112,216	12,112,216	12,360,211

Management Response

919. The variance between statement of financial performance and statement of cash flow was because cash flow statement is prepared in direct method which discloses all receipts for the year and actual payments while the statement of financial performance discloses income earned during the period.

920. The variance between the statement of financial performance and the statement of comparison between budget and actual amount is because the amount shown in the statement of comparison between budget and actual amount is the actual receipts for 2019/2020 received from government during the year under review while the statement of financial performance includes KShs. 37,957,500 which was receivable as at June 2020 and received on 10th July 2020.

921. The variance between the statement of cash-flow and the statement of financial performance is due to an error in the statement of cash flows which the management ensured does not re-occur in the year 2020/2021.

922. The variance between the statement of financial performance and the statement of comparison between budget and actual amount is because the amount shown in the statement of comparison between budget and actual amount is the actual receipts during the year while

the statement of financial performance shows all the income earned under rendering of service.

923. The variance between the statement of financial performance and the statement of comparison between budget and actual amounts is because the amount shown in the statement of comparison between budget and actual amount is the actual receipts during the year while the statement of financial performance shows all the income earned under rental revenue.
924. The management has provided overall reconciliation of the total revenue shown in the statement of financial performance and actual income shown in the statement of comparison between budget and actual amounts

Committee Observation

925. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

13.1.14 Deferred income

926. The statement of financial position reflects deferred income of KShs. 7,037,080 and KShs. 11,113,400 in respect of financial years 2018/2019 and 2019/2020, respectively.
927. The deferred income relates to restricted development grants from the national Government to the institution for construction of a resource center. However, note 25 to the financial statements reflects a different amount of KShs. 2,037,800 and KShs. 4,075,600 for the respective financial years.
928. In addition, the same note 25 to the financial statements reflects deferred income movement schedule balance of KShs. 11,113,400 as at June 2020 resulting to unexplained differences. Consequently, the accuracy and completeness of the deferred income could not be confirmed.

Management Response

929. There was an error in the way the note was stated and only amount ended up being disclosed is the additions to deferred income during the year which was KShs. 2,037,800 and KShs. 4,075,600 for the year 2018/2019 and 2019/2020 respectively. Erroneously the prior year adjustment of KShs. 5,000,000 done for 2018/2019 deferred income was not correctly shown in the note which affected the amount brought forward to the year 2019/2020.

Committee Observation

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

Committee Recommendation

931. The Committee reprimands the Accounting Officer for the errors and recommends that they henceforth comply with International Accounting Standards.

13.1.15 Net cash flows from operating activities

932. The statement of cash flows reflects comparative net cash flows of KShs. 37,810,202 from operating activities for 2018/2019, which is at a variance with a figure of KShs. 8,020,300 disclosed in note 27 to the financial statements, The resultant variance of KShs. 29,789,902 has not been explained or reconciled.
933. As a result, the accuracy and validity of the opening and closing cash and cash equivalents could not be confirmed.

Management Response

934. This was an error in presentation of comparative figure for the note which eliminated the movement in trade and other payables. The resulting variance in the note does not affect other financial statements since the cash flow statement reflects the correct amount.
We also provided the bank statements and bank reconciliations that supported both the opening and closing balances of cash and cash equivalent.

Committee Observation

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

Committee Recommendation

936. The issue is resolved. The Committee makes no further recommendations.

13.1.16 Inaccurate accumulated surplus

937. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

13.1.17 Long outstanding debts

938. The statement of financial position reflects a balance of KShs. 45,182,905 in respect of receivables from exchange transactions as at 30th June 2020. According to a schedule of aging analysis presented for audit, the balance includes student debtors totaling to KShs. 26,089,987 relating to financial years 2018/2019 and prior years. In addition, disclosed in Note 18 to the financial statements are rent debtors of KShs. 969,998, which as previously reported includes an amount of KShs. 693,815 owed by former employees of the institute, who left before clearing the debt. However, a provision for bad and doubtful debts of KShs. 2,811,806 made in the financial statements to cover the debts was inadequate.
939. Consequently, the recoverability of the receivables balance of KShs. 45,182,905 as at 30 June, 2020 is doubtful.

Management Response

940. The institution has written follow-up letters to both the employer and trainers to ensure that the staff debt is recovered.
941. The management subsequently increased the provision to 6% of the total debtors after developing a finance manual which has been reflected in year 2021/2022 audited financial statements.
942. The management has also carried out student debtors' clean-up process to ensure that all the irrecoverable debts are written off. This exercise was performed in financial year 2022/2023 and the report is due for board approval to be reflected in the financial statements for year 2022/2023.

Committee Observation

943. The Committee observes that the matter had been outstanding for a very long time.

Committee Recommendation

944. The committee recommends that the Auditor General reports in subsequent years on the progress made in the process of the debt write-off.

13.1.18 Budgetary control

945. The statement of comparison of Budget and actual amounts reflects a final receipts budget and actual on comparable basis of KShs. 387,707,957 and KShs. 236,985,551 respectively resulting to underfunding of KShs. 150,722,408 or 39% of the budget. Similarly, the Institute expended KShs. 157,335,409 against approved budget of Kshs. 387,707,957 resulting to an under-expenditure of KShs. 230,372,550 or 59% of the budget.
946. The under-funding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

947. The underfunding of 39% is mainly due to non-remittance of quarter 4 capitation by the government which affected the budgeted activities during the year.

Committee Observations

948. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there were efforts to review capitation provided to universities through a presidential working party.
949. The Committee further observed that public institutions were over-reliant of government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

950. The Committee recommends that –

- i. the Ministry of Education fast tracks efforts towards review of capitation through the presidential working party.
- ii. the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.

13.1.19 Prior year issues

951. The Committee observed that it had handled the matters in the previous financial year, and reiterates its recommendations.

13.1.20 Failure to submit financial statements for audit

952. The Committee observed that it had handled this matter in the previous financial year and reiterates its recommendations.

13.1.21 Failure to insure institute's assets

953. The statement of financial position and as disclosed in Note 20 to the financial statements reflects property, plant and equipment with a netbook value of KShs. 1,823,343,875 as at 30 June, 2020. It was however noted that, except for the motor vehicles with a net book value of KShs. 19,662,500, all other assets including buildings, plant, equipment, furniture and fittings were not insured contrary to Regulation 139(1)(a) of Public Finance Management (National Government) Regulations, 2015 which states that the accounting officer of a national government entity shall take full responsibility and ensure that proper control system exist for assets and the preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.
954. The institute is therefore exposed to possible loss from insurable risks which in turn may impact negatively on the institute's service delivery.

Management Response

955. The management had challenges with valuation of fixed assets, the the institute contracted a professional valuer during the year 2019/2020 which made it possible to establish the values of all the assets hence, enabling the management to adequately insure all the institutes assets in the year 2022/2023.

Committee Observation

956. The Committee observes that failure to insure the institutions assets exposes it to possible loss from insurable risks

Committee Recommendation

957. The committee cites management for negligence and recommends that the institution insures its assets before the next audit.

13.1.22 Weakness in IT controls

958. The Committee observed that it had handled this matter in the previous financial year, and reiterates its recommendations.

Audited statements for Financial Year 2020/21

13.1.23 Unsupported revenue

959. The statement of financial performance as disclosed in Note 7 reflects a balance of KShs. 402,216,288 relating to revenue which includes, KShs. 215,568,018 for rendering of services- fees from students in the year under review out of which KShs. 131,249,070 related to tuition fees. However, the supporting schedule indicating tuition fees arrears and current year's tuition fees were not submitted for audit review.
960. Further, the revenue balance of KShs. 402,216,288 includes an amount of KShs. 4,952,512 relating to rental revenue collected from fifteen (15) houses. However, available information provided indicates there were fifty-two (52) rented houses implying that income from thirty-seven (37) houses was no accounted for.
961. In the circumstance, the accuracy and completeness of the total revenue collected of KShs. 402,216,288 could not be confirmed.

Management Response

962. Tuition fee schedule has been availed.
963. The total rental income as per the audited financial statement is KShs. 4,455,758 and not KShs. 4,952,512 as indicated in the observation. The amount of Rental income amount of KShs. 4,455,758 is broken down as follows as per Note 8 to the financial statements:

Description	Amount KShs
Hire of facilities	2,572,486
Rent from staff houses	1,361,272
Student hostel	522,000
Total rental and Hire income	4,455,758

964. Rental income is from 52 houses leased to staff of which 15 houses out of 52 are leased by the PSC staff while 37 houses are leased by BoG staff. The registers maintained are two one

for PSC staff and another one for BoG staff. Kindly refer to Appendix II being the registers for staff houses.

Committee Observation

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

Committee Recommendation

966. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.24 Budgetary control performance

967. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

13.1.25 Unresolved prior year issues

968. The Committee observed that it had handled the matters in the previous financial year, and reiterates its recommendations.

13.1.26 Irregular payment of teaching and training materials expenses

969. The statement of financial performance reflects an expenditure of KShs. 144,005,644 in respect of use of goods and services which as disclosed in Note 10 to the financial statements included in Kshs. 9,163,091 relating to teaching and training materials.

970. Examination of vouchers revealed that procurement was done using request for quotations. However, evidence of existence of an ad hoc opening committee and an ad hoc evaluation committee was not submitted for audit verification.

971. In addition, professional opinions issued in respect of the procurement by the head of procurement function have not been presented for audit verification. This is contrary to section 84 (1) of the public Procurement and Assets Disposal Act, 2015 which states that the Head of Procurement Function of a procuring Entity shall, alongside the report to the Evaluation Committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the Accounting Officer on the procurement or assets disposal proceedings.

972. In circumstances, the validity of the expenditure of Kshs. 9,163,091 could not be confirmed.

Management Response

973. The minutes of ad hoc opening committee and an ad hoc evaluation committee has now been provided.
974. Professional opinions issued in respect of these procurement by the head of procurement function have also been provided.

Committee Observation

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

Committee Recommendation

976. The Committee cites the Accounting Officer for Incompetence and recommends that the management henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.27 Incomplete payments

977. The statement of financial position reflects property, plant and equipment of KShs. 1,849,334,561 which includes KShs. 7,790,000 Biometric System Being Work in progress for the year under review. The system was supposed to integrate with the new ERP system to monitor student attendance and time monitoring. However, this has not been achieved and the system is operating as stand-alone, only providing for biometric access control. A number of modules including procurement module are not in operation while others are still not fully functional.

Management Response

978. The Biometric system project was completed in the year 2021/2022 and currently in operation.
979. The modules which were incomplete as at 30th June 2021, were completed and now in operation.

Committee Observation

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

Committee Recommendation

981. The matter is resolved.

13.1.28 Trade debtors

982. The statement of financial position and as disclosed in note 19 to the financial statements reflects a balance of Kshs. 90,472,210 in respect of receivables from exchange transactions.

However, no ageing analysis of the student's debts, staff rent debts and salary advance were submitted for audit verification.

983. In circumstances, the validity and recoverability of the receivables of of Kshs. 90,472,210 could not be confirmed.

Management Response

984. Management has now attached the aging list of receivables from exchange transactions.

Committee Observation

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

Committee Recommendation

986. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

13.1.29 Lack of risk management policy and internal audit function

987. The Institute did not have an active Internal Audit Department during the year under review. There were no reports tabled to the audit and Risk Committee during the first three quarters for action. Further, the institute did not have a Risk Management Policy.
988. In the circumstances, the procedures and strategies put in place to assess, identify, reassure, prioritize and mitigate risks in the Institute could not be confirmed.

Management Response

989. The management formed the internal audit department during the year under review and the internal auditor joined the Institute in January 2021. We have attached internal audit report which was prepared for quarter 4 of year 2020/2021 (See Appendix VIII). Subsequently, the internal auditor has ensured that internal audit reports are availed to the Audit committee for discussion on a quarterly basis.
990. Currently the internal department handles all risk management activities. The management has developed an internal audit policy that awaits Board approval.

Committee Observation

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

Committee Recommendation

992. The Auditor to report in the next audit whether the Internal Audit Policy has been approved by the Board.

14.0 NGONG TECHNICAL AND VOCATIONAL COLLEGE

993. Ms. Teresia Mutuku, Principal, accompanied by;

i) Mr. Bahati Nyaga- Accountant.

ii) Mr. Josiah Nyaundo- Finance Officer

appeared before the Committee to adduce evidence on the audited accounts of Ngong Technical and Vocational College, on 9th August 2023.

Audited statements for Financial Years 2018/19 and 2019/2020

994. The institute had no audited accounts in the subject financial years.

Audited statements for Financial Year 2020/21

14.1.1 Inaccuracies in financial position

995. The statement of financial position reflects accumulated surplus of kshs. 1,890,648 while the statement of financial performance reflects a deficit of Ksh, 7,928,010. However, the college was in its first year of operation and could not have accumulated any surplus. Further, the statement of financial position reflects a total net assets and liabilities totaling to kshs. 53,361,364 while the statement of changes in net assets reflect a total balance of Kshs. 53,126,337, resulting in unexplained and unreconciled variance of Kshs. 235,027.00

996. In addition, the statement of comparison of budget and actual amounts reflects actual on comparable basis income and expenses totaling Kshs. 15,505,366 and kshs. 6,218,859 respectively. However, a recast of income and expenditure amount in the statement adds to kshs. 15,467,266 and kshs. 6,020, 098 respectively, resulting in unexplained and unreconciled variances of Kshs. 38,100.00 and kshs. 198,761.

997. In the circumstances, the accuracy of the financial statement could not be confirmed.

Management Response

998. The variance amount is the current liabilities aggregated to get the total net assets and liabilities as per the statement of financial position which in our view was not summed by the auditor. The management noted those errors resulted from summation and plea that future reports will not have such material errors to promote accuracy.

999. The board is in the process of recruiting another accountant for checks and balance to avoid such errors.

1000. We have therefore submitted an amended financial statement report to the OAG' office and as per the submitted. evidences

Committee Observation

1001. The Committee observes that although the matter had been resolved and the Auditor-General was satisfied with the management response, there was negligence from the Accounting Officer by late submission of relevant documents for audit.

Committee Recommendation

1002. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.2 Unsupported remuneration of directors

1003. The statement of financial performance reflects remuneration of directors' expenditure amounting to kshs. 158,000. However, legality of the Board of Governors was not confirmed as gazette notices of the member's appointment were not supported by attendance registers as proof of meetings and other board activities.
1004. In the circumstances, the accuracy and validity of the remuneration of the directors' amount of kshs. 158,000 during the year under review could not be ascertained.

Management Response

1005. The college sought assistance from the ministry of education, state department of vocational and technical training for the gazette notice and once received, we shall share the same to the office of the auditor-general when received.
1006. During the period under review, it was difficult to have the attendance sheet as most of those board meeting were done online and the collage lack the capability of an IT experts to assist in generating digital attendance sheets. However, the management provide all the minutes to confirm the meeting hence validating the payments of Kshs. 158,000.00

Committee Observations

1007. The Committee observes that the Institution did not have gazette notices to confirm legality of the appointment of the Board members thus the members were not viable to hold office as they are not recognised by law.
1008. The Institution was therefore in breach of law.

Committee Recommendation

1009. The Committee recommends that the Accounting Officer (Dr. Jane Tei) be surcharged for the money illegally payable amounting to Kshs. 158,000.

14.1.3 Cash and cash equivalents

1010. The statement of financial position reflects cash and cash equivalents balance comprised of cash held in two bank accounts and cash at hand as at 30 June, 2021. However, cashbooks

in respect of one of the bank accounts with a balance of Kshs 3,940,663 was not provided for audit review.

1011. In addition, review of bank reconciliation statement for the second bank account revealed unpresented cheques totalling kshs. 159,570 whose payment dates were not indicated. Further, the same bank account reflected cash withdrawals totalling kshs. 225,727 whose authority and purpose was not.

Management Response

1012. The cash book in respect to the bank account with a balance of Ksh 3,940,663 is for the project done and managed by the CDF. Therefore, it was erroneously incorporated in our financial report since its audit was done at the CDF office where the books of original entry were kept hence the amount ought to have been removed from our financial report. Refer to the amended financial statement.
1013. The cheques were cleared in the subsequent month after the close of the financial year and scheduled with the date the cheque was drawn and cleared together with certified bank statements as support documents.
1014. The cash withdrawals were made to pay some expenditures as per the schedules of the payment's vouchers submitted.

Committee Observation

1015. The Committee observed that although the matter had been resolved and the Auditor-General was satisfied with the management response, there were reckless and erroneous mistakes from the Finance Officer.

Committee Recommendation

1016. The Committee recommends that –
- i. the Accounting Officer be more diligent in handling books of accounts;
 - ii. employment of qualified staff to the institution or enhanced capacity building on the already existing staff to avoid unnecessary errors in financial statements and otherwise.

14.1.4 Property, plant and equipment

1017. The statement of financial position reflects property plant and equipment balance of kshs 43, 888, 582. However, an amount of Kshs 3,615,857 relating to work in progress was expensed in the statement of financial performance. Further, examination of records provided for audit review revealed that the College occupies a five –acre parcel of land located in Ngong Town which is owned by the Catholic Church as per the allotment letter for the land. In addition, approximately three quarters [$\frac{3}{4}$] of the land was occupied by a dumpsite

Further, review of the asset register, revealed that the College owns food processing equipment of undetermined value. No explanation was provided for failure to value the food processing equipment and disclose the same in the financial statements.

1018. In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment balance of Kshs. 43,888,582 could not be ascertained.

Management Response

1019. The management regretted that errors and has corrected it and will only be reported in the financial position when the project is completed and handed over to Ngong TVC. The dumpsite has been cleared and the parcel of land now is owned by the college through a donation by the Catholic Church.
1020. Therefore, the management is committed to ensure that the land is fenced and provided with the title deed.
1021. The equipment was donated by the ministry but lacked supporting documents by them. It's worth noting that the documents have been provided as the attached evidence and incorporated in the financial statement of the 2022/2023 report.

Committee Observations

1022. The Committee observed that although the matter had been resolved and the Auditor-General was satisfied with the management response, there were reckless and erroneous mistakes from the Finance Officer.

Committee Recommendation

1023. The Committee recommends that the Accounting Officer be more diligent in handling books of accounts.
1024. The Committee further recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.5 Unsupported receivables

1025. The statement of financial position reflects receivables from exchange transactions and receivables from non-exchange transactions amounting to kshs 2,272,743 and kshs. 1,115,000 respectively. However, a debtor's ledger or schedule of outstanding debtors and a debtor's ageing analysis were not provided for review. In addition, a policy on debtors and provision for bad and doubtful debtors thereof was not provided for audit not disclosed in the summary of significant accounting policies section of the financial statements.
1026. Further, the management has not demonstrated efforts made to recover the outstanding amounts.

1027. In the circumstances, the accuracy, validity of trade and other receivables amounting to Kshs. 3,387,743 as at 30 June, 2021 could not be confirmed.

Management Response

1028. The Ksh 1,115,000.00 is capitation which has been received in the financial year 2021/2022 while the AIA of Kshs 2,272,743 has been realized gradually from trainees through HELB, CDF and parents paying.
1029. A draft policy and financial manual is in progress by the management. They include: Financial policy and manual, Procurement policy, HR policy, Risk assessment and management policy among others.
1030. However, in the financial year 2022/2023 the college installed an account system (QuickBooks system) to resolve the issue.
1031. The college is in the process of procuring an ERP system.

Committee Observation

1032. The Committee observes that although the matter had been resolved and the Auditor-General was satisfied with the management response, the recommended format of submitting financial statements “accrual basis method” was not adhered to.

Committee Recommendation

1033. The Committee recommends that the Accounting Officer henceforth complies with Section 194 (1)(d) of the PFM Act 2012 and section 1.4.3 of the International Public Sector Accounting Standards, by preparing financial statements in the prescribed format.

14.1.6 Trade and other payables

1034. The statement of financial position reflects current liabilities totalling Kshs. 235,027. The amount as disclosed in Note 34 to the financial statements, includes fees paid in advance amounting to Kshs. 56,177. However, schedules provide for audit in respect to fees paid in advance reflect a total of kshs. 474,912 resulting in unreconciled and unexplained variance of kshs. 418,212.
1035. Further, the trade payables showed an amount of kshs. 3,098,897 owed to PC Kinyanjui TTI, the mentor institution for the college.
1036. In the circumstances, the accuracy and completeness of the trade and other payables balance of kshs, 235,027 could not be ascertained.

Management Response

1037. The management realized the errors in the schedules and the amount has been reconciled.

Fees register and the enrolment as per the registrar office has been reconciled and the prepaid fees confirmed to be Kshs 56,177.

Committee Observations

1038. The Committee observed that although the matter had been resolved and the Auditor-General was satisfied with the management response there were noticeable errors in preparation of financial statements.

Committee Recommendation

1039. The Committee recommends that -

- i. the Accounting Officer be more diligent in handling books of accounts.
- ii. employment of qualified staff to the institution or enhanced capacity building on the already existing staff to avoid unnecessary errors in financial statements and otherwise.

14.1.7 Budgetary control and performance

1040. The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of kshs. 35,404,950 and kshs 15,505,366 respectively resulting to an under-funding of kshs. 19,899,584 or 56% of the budget. Similarly, the college expended kshs. 6,218,859 against an approved budget of kshs. 28,414,938 resulting to an under-expenditure of Kshs. 22,196,079 or 78% of the budget.
1041. The underfunding and underperformance affected the planned activities and may have impacted negatively on services delivery to the public.

Management Response

1042. The effect is as a result of low enrolment. No development grant that was realized as budgeted and projected CDF funds.
1043. Due to the effects of covid-19 that resulted to the closure of the schools, less fees was paid by the trainees than anticipated.
1044. Due to low enrolment, less expenditures were incurred. The committee does not agree with the statement.
1045. The management had to cut cost as some activities like sports could not take place because of Covid-19 hence the underutilization.
1046. The amount remained in the banks was tied to projects that were awaiting approvals.

Committee Observations

1047. The Committee observes that late or non-receipt of exchequer impacted budgetary performance negatively.

1048. The Committee further observes that the Institution largely depends on government funding to support and complement its activities.

Committee Recommendations

1049. The Committee recommends that -

- i. the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.
- ii. the Institution is encouraged to develop other income generating activities to increase their cash flow so as not to depend on government funding only.

14.1.8 Irregular recruitments

1050. The statement of financial performance reflects employee costs amounting to Kshs. 360,280. Review of the payroll data and personal files of employees provided in support of the expenditure reveal the following anomalies:

- i) Unapproved establishment indicating vacancies existing in departments or sections to justify the need for recruitment of five (5) BOG employees during the year was not provided for audit review. In addition, Human resource planning documents including annual recruitment plan were not provided for audit verification and thus the need for the positions filled could not be established.
- ii) There was no documentary evidence provided to indicate that a committee was established by the board of governance to carry out shortlisting of the positions applied and whether the board convened an interviewing panel for shortlisted applicants.
- iii) There were no documents provided in support of the existence of a staff advisory committee responsible for advising the board on matters relating to staff including promotion, discipline and transfer of employees
- iv) Guidelines issued by the ministry of Health and the government on COVID-19 containment measures in work place during the year under review banned all physical gatherings. However, it was not clear how the recruitment process was conducted without evidence of interviews being conducted and in the absence of an interviewing panel.

1051. In the circumstances, it was not confirmed whether the recruitment process was done procedurally.

1052. The management would wish to submit the following evidence regarding the matters raised:

- i. Advertisement and interview panels
- ii. Board Minutes and resolutions
- iii. Draft HR policy and manuals for the establishment of the position

- iv. Guidance from the mentor institution of staffing

Committee Observation

1053. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1054. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.9 Failure to maintain an imprests register

1055. During the financial year under review, the college reported an expenditure of kshs. 219,980. On local travel and subsistence allowances as disclosed in Note 14 to the financial statements.
1056. However, the college did not maintain an imprest register for the allowances as required by regulations 93(4) of the PFM (National Government) regulations, 2015 which provided that before issuing temporary imprest, the accounting officer shall ensure that applicant is recorded in the imprest register including the amount applied for. It was therefore not determined whether all imprests issued during the financial year were surrendered and correctly accounted for.
1057. In the circumstances management is in breach of the law.

Management Response

1058. The management wish to submit that they have implemented it as guided by the auditor.

Committee Observation

1059. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1060. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.10 Non-compliance with the law on ethnic composition

1061. During the year under review the total number of employee of the college was thirty eight (38) in which sixteen (16) or 42% of the total number were members of the same ethnic community contrary to sect 7(1) and (2) of the national cohesion and integration Act, 2008

which states that “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

1062. In the circumstances management is in breach of the law.

Management Response

1063. The management wish to humbly submit that for the BOG staff, the board observed Section 7(1) and (2) and implemented while the PSC staff are professionals send by the ministry where the board has no control.

Committee Observations

1064. The Committee observes that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

1065. Unlike institutions located in rural areas, Ngong TVC is in a cosmopolitan area. The management’s explanation is therefore not valid.

Committee Recommendation

1066. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.

14.1.11 Irregular procurement of goods and services

1067. During statement of financial performance reflects use of goods expenditure amounting to kshs. 1,803,525. Review of the payment documents provided for audit revealed that procurement of various goods and services during the year were not carried out in line with the public procurement and assets disposal Act, 2015 as detailed below;

- i) There were no appointment letters for the evaluation committee members for the various procurement undertaken.
- ii) There were no request for quotations for procurement of hardware materials and burglar proof doors, therefore, the methods used to invite quotations from suppliers was not confirmed,
- iii) Bidders evaluated for supply of hardware materials and supply of chemicals were not in list of prequalified suppliers and therefore, it wasn’t determined how they were identified.
- iv) The evaluation committee for burglar proof doors recommended and an award to a supplier who was not the lowest bidder basing the award on previous work at the

college. This was contrary to the act which requires awards be made to the lowest evaluated bidders. Further, the category of suppliers was not in the prequalification list provided for audit review and therefore, it was not determined how the bidders were identified. In addition, there was no request for quotation documents sent to the bidders.

- v) The college sent request for quotations to 3 bidders for building and civil engineering works who were not in the category of suppliers for building and civil engineering works.
- vi) The list of prequalified suppliers provided for audit review did not have a category for the supply of furniture, however, the college sent request for quotations documents to bidders and awarded the supply to one bidder. It was not determined how the bidders were identified for the category.

1068. In the circumstances, management was in breach of the law.

Management Response

1069. The management wish to humbly submit the following evidence:

- Attached evaluation committee appointment letters
- Low value method used to procure goods & services below kshs. 50 thousand and the urgency of stipulated under the Public procurement and asset disposal act 2015 clause 107. The amount in question is ksh 38,100 that was paid Robin engineering Services from nearby hardware
- Evidence of request for quotations and bidders
- List of prequalified suppliers
- We used low value procurement clause 107

Committee Observation

1070. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management's response.

Committee Recommendation

1071. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.12 Lack of operational manuals and policies

1072. Review of the college's internal controls revealed lack of basic controls that would enable the college of function effectively. The college lacked a financial procedure manual, fraud prevention guidelines, risk assessment and management strategy, training need assessment

tools, approved organization charts, disaster recovery plan, approved human resource manual and an annual staff training programme.

1073. In absence of the operational manual and policies, achievement of the college's goals and performance target may not be coordinated.

Management Response

1074. In their response, the management informed the Committee that they had developed the following draft policies and manuals;

- i. A draft Financial policy and procedure manual
- ii. A draft Fraud prevention guidelines
- iii. Risk assessment and management strategy
- iv. A draft academic policy
- v. Approved organization chart
- vi. A draft HR policy and manual

Committee Observation

1075. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1076. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.13 Lack of internal audit function and non-establishment of internal audit committee

1077. During the year under review, the college did not have in place an internal audit function contrary to section 73(1)(a) of the public finance management act 2012, which provides that every government entity shall have appropriate arrangement in place for conducting internal audit according to the guidelines of the accounting standards board.
1078. In the circumstances the college lacks internal structures which could provide advice and assurance to the management regarding system of internal control, and risk management.
1079. As at the time of audit the college had not established an audit committee as required by sect 73(5) of the PFM Act 2012 which stipulates that every national government public entity shall establish and audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performance various factions stipulated by regulation 175 of PFM (National government) regulations, 2015 including supporting the

accounting officer on matters of risk evaluation and control, governance and associated assurance.

1080. In the circumstances, oversight and overall governance of the institute could not be confirmed

Management Response

1081. The management responded as follows, on the establishment of an internal audit function;

- i. An internal audit committee at the board level as guided by Mwongozo and the PFM Act, 2012
- ii. Outsourcing the services of a qualified internal auditor from mentor institution
- iii. Board Minutes
- iv. A draft Risk assessment and management strategy

Committee Observation

1082. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1083. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

14.1.14 Lack of segregation of duties

1084. Review of staffing and roles allocation in the accounts department revealed that the department had one staff who was performing duties of recording transactions, disbursing funds, making entries on the cashbook, reconciling cashbooks with bank balances, and making payments. Without segregation of duties in key processes, the college might be exposed to the risk of fraud and errors in financial transactions,

1085. Consequently, the internal control was not adequate to mitigate potential threats that may arise.

Management Response

1086. The management wish to humbly submit the following evidences;

- i. Advertisement for the recruitment of Finance officer
- ii. Shortlisting list
- iii. Outsourcing of experts from other mentor colleges
- iv. Outsourcing the services of a qualified internal auditor from mentor institution who audit the work and advice

Committee Observation

1087. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1088. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

15.0 MULTI-MEDIA UNIVERSITY

1089. Amb. Prof. Festus Kaberia, OGW, Vice-Chancellor, accompanied by;

i) Ms. Rosebella Maranga- Deputy Vice Chancellor

ii) Mr. John Mugurwe- Deputy Finance Officer

appeared before the Committee to adduce evidence on the audited accounts of Multi-Media University, on 9th August 2023.

Audited statements for Financial Year 2018/19

15.1.1 Going concern

1090. During the year under review, the University recorded a deficit of KShs.305,591,062 (2018 deficit: KShs.207,675,487) which increased the accumulated deficit from KShs.833,716,454 in 2017/2018 to KShs.1,139,307,515 as at 30 June 2019. Further, the statement of financial position reflects current liabilities of KShs.1,291,809,342 as at 30 June, 2019 against current assets of KShs.346,476,519 resulting into a negative working capital of KShs.945,332,823 and at the same time the University was unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and gratuity of KSh.333,883,532, audit fees of KSh.4,980,000 and taxes amounting to KSh.467,508,383 to the respective beneficiaries thereby risking fines and penalties.

1091. The University is, therefore technically insolvent and its constituted operations will depend on support by creditors, bankers and the Government.

Management Response

1092. University of Kenya performance for the year under audit was affected by several unfavourable factors which included the following:

- i. Low capitation from the government. The funds received from the government is not enough to meet salary requirement for the university. The monthly salary of the permanent staff was KSh.56,299,20 and the monthly capitation was KSh.32,753,712

- ii. Increased cost of support services including part time lecturing compounded the pressure on the use of limited resources. The monthly cost of the part time costs was KSh.11.4M.
 - iii. Increased Gok Sponsored students whose tuition fees and accommodation charges are controlled by the government.
 - iv. In effort to ensure continuity and devoid of sudden demand for payment and avoidance of fines and penalties we have had to engage those we owe statutory deductions amicably appendix 15.0.
1093. The University Management in its strategic intent has identified other potential revenue generating areas to supplement revenue from tuition and student related charges. The University Management in its strategic intent has identified other potential revenue generating units to supplement revenue from tuition and other student charges. These include:
- i. Research and consultancy
 - ii. Short term industry training programs
 - iii. Introduction of the TVET programs
 - iv. Introduction of various master's and Ph.D programmes
 - v. Increasing the bed capacity for the students.
1094. The University Management has also put in place cost minimization strategies to ensure the University operates with minimal costs. Additionally, the university is not replacing the staff who are retiring in an effort to bring down the number of the non-teaching staff.
1095. This will ensure the University continues to carry out its operations and meet its short term obligations without interruption.

Committee Observation

1096. The Committee observes that under funding of the university was a matter that was cross-cutting other universities. Capitation provided was inadequate and the universities had limited diversification options.
1097. The Committee further observed that public universities were over-reliant on government capitation, and did not exploit their own income generating internal capacity and potential.
1098. The Committee notes that the new presidential directive of university funding will help most universities access more capitation resulting to an increase in their cash flow.

Committee Recommendation

1099. The Committee recommends that the institution should make use of its in-house technical expertise and engage in income generating activities including technological research, development, and consultancies.

15.1.2 Provision for bad and doubtful debts long outstanding

1100. The statement of financial position and as disclosed in Note 12 to the financial statements, reflects receivables from exchange transactions balance of KSh.86,016,558. This has been arrived at after deducting the provision for bad and doubtful debts of KSh.178,072,934 from the total receivable of KSh.264,989,492. The provisions include a balance of KSh.77,928,486 which has been outstanding for over ten (10) years. The University has provided in the accounts a 100% impairment allowance on these debts since these debts are completely unsupported. Further, included in the receivables from exchange transactions balance are staff debtors figure of KSh.20, 223,586 which are debts due from the defunct Kenya College of Communications Technology staff (KCCT) who have since left the University. No satisfactory explanation was provided as to how the University cleared the former employees without recovering the outstanding debts.
1101. The University wrote to the National Treasury through the Ministry of Education vide letter ref. MMU/VC/944/Vol.4 dated 29 October 2014 requesting to write off these debts which were inherited from the defunct KCCT.
1102. In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables from exchange transactions balance of KSh.86,016,558 as at 30th June, 2019.

Management Response

1103. The University has written to the National Treasury through the Ministry of Education to write off the debts which were inherited from the defunct Kenya College of Communications Technology of KES 77,928,486 Appendix 3.3 a & b. A 100% impairment allowance has also been provided in the accounts in accordance with the Public Financial Management Act since these debts are completely unsupported.
- Staff Debtors which stood at KSH.20,223,586 in the financial year 2017 – 2018 have dropped to KSh. 20,217,239 in the financial year 2019 – 2020. This is because the University is pursuing the debt and the staff members who had left the University with the loans have been paying their loans. Most of the staff members issued collateral for the loans. The University has ensured that the title deeds have cautions registered on them so that the affected former staff members do not dispose of their property without our consent and are pressured into clearing their debts.
1104. Moving forward we will be piling pressure on them for recovery of the amount.

Committee Observation

1105. The Committee observes that the Institution bears both secured and unsecured loans. The secured loans have title deeds as their security which the Accounting Officer holds. However, no firm action has been taken to recover the loans despite possession of the title deeds.

Committee Recommendations

1106. The Committee recommends that -

- i. the Accounting Officer finds out the terms used in giving out the loans and their mode of recovery.
- ii. the management of the University takes deliberate actions towards recover of the said loans.

15.1.3 Budget control and performance

1107. The statement of comparative budget and actual amounts for the year ended 30 June, 2019 reflects actual expenditure of KSh.1381,842,845 against final expenditure budget of KSh.1,299,200,000 resulting in an over expenditure of KSh.82,642,846. Management has not provided any explanation on the over expenditure.

Management Response

1108. The over expenditure that the auditor has noticed is majorly due to depreciation which is a non-cash item that is normally not considered during the budget making process. It should be noted that the university IPSAS's accrual method for the preparation of financial statements while the budget making process is done on a cash basis.

In addition, during the year, Personnel costs increased due to the accrual of Collaborative Bargaining Agreement payment. This money was received in July, 2019 but related to 2018/19. This was not in the initial budget but approval to account for the same in year 2018/2019 was given by the National Treasury.

1109. The University therefore operated within the set budget and internal virement was sought as necessary.

Committee Observations

1110. The Committee observes that -

- i. under funding of the University was a cross-cutting matter among other institutions of higher learning. Capitation provided was inadequate and the institutions had limited diversification options.
- ii. public universities were over-reliant on government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendations

1111. The Committee recommends that -

- i. the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies so as not to purely rely on government funding.

- ii. the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.
- iii. the Institution should adhere to the required regulations when preparing their financial statements.

Audited statements for Financial Year 2019/20

15.1.4 Receivables from exchange transactions

1112. The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions totalling Kshs.149,653,472, as further disclosed in Note 12 to the financial statements. The balance includes the following long outstanding debts:
- i. Staff debtors' balance totalling Kshs.20,217,329 due from employees of the defunct Kenya College of Communications Technology who have since left the University. No satisfactory explanation was provided by Management why the staff were allowed to leave the University without having paid the outstanding debts.
 - ii. An advance payment totalling Kshs.2,000,000 made to a private company for provision of public and media relations services in 2013. In spite of the payment, the Company did not provide the services.
1113. In view of these issues, the recoverability of the two debts appears uncertain and therefore, the receivables from exchange transactions balance totalling Kshs.149,653,473 as at 30 June, 2020 may not be wholly recoverable.

Management Response

i. LONG OUTSTANDING DEBTS

1114. Most of the balances that are over five years for both Student and Trade debtors fall in the category of balances that the University wrote to the Treasury for write off since they were inherited from Kenya College of Communications Technology and were completely unsupported (Appendix 3.3a&b). The University has written to the Treasury on two occasions and we have provided for them in full in the Provisions for Bad Debts. We are still waiting for approval by the Treasury before we can write them off in our books.

ii. STAFF DEBTORS

1115. The staff debtors which stood at KES 20,223,586 in the financial year 2017 – 2018 have dropped to KSh. 20,217,239 in the financial year 2019 – 2020. This is because the university is pursuing the debt and the staff members who had left the University with the loans have been paying their loans. Most of the staff members issued collateral for the loans. The University is following up on the debts and its pilling up pressure on the staff to pay their debts.

iii. ADVANCE PAYMENT

1116. The advance payment to the vendor Winners Frontiers International Ltd. of KSh.2,000,000 that is noted in the books was initiated in the year 2012/2013. The University entered into a contract with the vendor to develop a marketing strategy for Multimedia University College and run the programme in the media (Appendix 12.0). Since this was a long term programme, a down payment was made of KSh.2,000,000. However, the contract was terminated before the completion of the content creation. The University however withheld an equivalent amount from the final dues of the Accounting officer

Committee Observations

1117. The Committee confirmed that the Ksh 2,000,000 in question was paid with no services done. There were no documents showing the contract for the services or the records showing processing of payment.
1118. The Committee observed during its deliberations that another Ksh. 2,000,000 as payment of final dues to the former principal was withheld. There was no explanation as to why the withholding came about as it is not indicated in the financial statements.

Committee Recommendation

1119. The Committee recommends that the current Accounting Officer makes haste to clear with the preceding Accounting Officer in terms of compensation of monies already spent during his tenure.

15.1.5 Material uncertainty on going concern

1120. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

15.1.6 Impaired receivables

1121. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

15.1.7 Budgetary control and performance

1122. Revenue: The statement of comparison of budget and actual amounts indicates that the University's approved revenue budget for the year under review totalled KSh.1,406,602,860 against actual receipts totalling KSh.1,117,783,871 resulting to a deficit of KSh.288,818,989 or 21%. Management attributed the shortfall to unfavourable economic conditions due to the due to the Covid-19 pandemic that reduced income generating opportunities.

1123. Expenditure: The University's approved expenditure budget for the year totalled KSh.1,341,602,860 against actual spending of KSh.1,353,752,382. This occasioned an excess expenditure of KSh.12,149,522 translating to 1% which was within the allowable variance.

Management Response

1124. On revenue (rendering of services), the variance of KSh.288,818,989, was due to Covid 19 outbreak in March, 2020. The university was closed from 16th March, 2020, this means that the university could not generate revenues for almost three months (one quarter). The income generating units including the hotel were closed for one year. The university could not therefore generate income as anticipated

Expenditure comprised;

- (i) Compensation to employees; the big variance was caused by the government awarding all universities' employees arrears on the CBA 2017-2021. Multimedia university therefore got KSh.64 million towards the years of 2017-2020. This was accounted for in the financial year 2019-2020. With this in mind, a critical analysis of employees cost had a decline trend occasioned by the Covid 19 pandemic. (i.e CBA –increase 64-54=10).
- (i) Repairs, general expenses, contracted services and council Expenses; the university closed due to covid19 pandemic and its' operational activities were curtailed significantly. This had a big effect on the expenses as most of the expenses are tied to the normal daily operations. I have attached herewith a document requesting one of the suppliers of contracted services to reduce its operations at the university.
- (ii) Depreciation; this a book entries and are non-cash items therefore not in the budget. Kindly review the previous financial statements for the same. Our budget process considers only projected cash inflows and outflows for the period hence ignoring non-cash items.

Committee Observations

1125. The Committee observes that

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

Committee Recommendation

1126. The Committee recommends that -

- i. the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies so as not to purely rely on government funding.
- ii. the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.

15.1.8 Unauthorized bank account

1127. During the year under review, the University Council opened a bank account with Cooperative Bank of Kenya. However, the account was opened without authority from the National Treasury as required by section 28 (1) of the public finance management act, 2012.

1128. Therefore, the Council was in breach of the law.

1129. Further the account was left dormant throughout the year and accrued bank charges resulting to a negative balance of KSh.7,217 as at 30 June, 2020.

Management Response

1130. The MMU Electraka A/C NO. 01129585946500 was opened to support operations of the Electraka Security systems project. The project is still ongoing and negotiation with the first customer National housing corporation are ongoing.

1131. The account was subsequently closed.

Committee Observation

1132. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1133. The Committee recommends that since the issue has been resolved, the account should be closed.

Audited statements for Financial Year 2020/21

15.1.9 Unsatisfactory performance and negative working capital

1134. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

15.1.10 Unsupported cash and cash equivalents

1135. The statement of financial position reflects cash and cash equivalents balance of KSh.208,040,276 as disclosed in Note 11 to the financial statements. However, Note 15 to the financial statements include un receipted bank deposits totalling to KSh.10,334,299

which had not been reconciled, credited to the individual payee accounts or supported with bank reconciliation statements.

1136. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of KSh.208,040,276 could not be confirmed

Management Response

1137. The students are required to pay their school fee by depositing the same to the bank clearly indicating the student name and the student number in the deposit slip for ease of identification. However, there are instances where the parents deposit the cash and do not indicate the student name nor student number in the deposit slip, sometimes the name appearing is for person making a deposit. This made it impossible to identify some of the deposits. Hence the same could not be posted into the student individual accounts.
1138. These items were identified during the bank reconciliation process and remained outstanding for a long period of time. It was therefore prudent to recognize the same as a liability by debiting the various cash book and recognizing the same as a liability (unidentified bank deposits). When the student presents the deposit slip the liability is debited and the student is credited with the same. The attached schedule shows the movement that has taken place in the account as the students represents their slips. Find attached the cashbook extract for various banks showing the debits.
1139. It worth noting that the university has since integrated the fee paying process with the bank and no student can be able to make any deposits without highlighting their details and the same is automatically updated in the statement and the cashbook.
1140. The transaction is clearly accounted for and does not affect the accuracy and the completeness of the cash in hand as presented in the financial statement.

Committee Observation

1141. The Committee observes that the management's response is substantive but the issue will be monitored in subsequent financial years.

Committee Recommendation

1142. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

15.1.11 Long outstanding receivables from exchange transactions

1143. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

15.1.12 Unsupported provision for bad and doubtful debts

1144. The statement of financial position reflects receivables from exchange transactions balance of KSh.156,122,196 as detailed in Note 12 to the financial statements. Note II (h) 8 indicates that currently the University provides for bad debts as general provision at 2% of the total debtors. However, the provision reflected in Note 12 is KSh.144,773,821 which is 48% of total receivables and not the computed amount of KSh.6,017,920. The basis for the provision of the amount of KSh.144,773,821 was not explained and supported.
1145. In the circumstances, the accuracy and completeness of the provision for bad and doubtful debts amount of KSh.144,773,821 could not be confirmed.

Management Response

1146. The Debtors have been categorized into three classes depending on the date that the debt was accrued:
- a) Those that fall within one year – 35,877,439. These are not given any provision for bad debts since they constitute current students.
 - b) Those that fall between one and two years – 9,618,180. These are provided for at 2% since most of the courses offered in this University are of a long term nature. The bad debts provision calculated at 2% stands at 192,364.
 - c) Those that fall over 2 years since they were incurred – 211,234,429.

Out of this category are those that the University has written a request to the Treasury for write-off as explained in Point 4 above – 77,928,485. These are provided for at 100%.

The difference of the debts (211,234,429 less 77,928,485) that is 133,305,944 are provided for at 50% to stand at 66,652,972.

The total provisions will be as follows:

(i) Provisions between 1 and 2 years (2%)	192,364
(ii) Provisions for debts requested for write off (100%)	77,928,485
(iii) Provisions for debts over two years (50%)	66,652,972
Total provisions	144,773,821

Committee Observation

1147. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1148. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

15.1.13 Long outstanding payables from exchange transactions

1149. As disclosed in the statement of financial position, Note 15 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.1,746,044,863. Review of records provided for audit review revealed that included in the payables balance is trade creditors balance of Kshs.280,001,068 which further includes engineering block fee note and staff quarter rent and Telkom rent of Kshs.54,429,000 and Kshs.22,344,097 respectively, which have been outstanding for over one year. No explanation or supporting documentation was provided for the nonpayment. Further, included in the payables balance is unremitted statutory deductions amounting to Kshs.542,902,355 which comprise of Pay As You Earn (PAYE) balance of Kshs.494,954,073 and withholding VAT balance of Kshs.47,948,282. The amounts increased from the previous year's total balance of Kshs.493,038,244 by Kshs.49,864,111 or 10%. In addition, the payables included outstanding pensions balance of Kshs.479,573,672. No explanation was provided for the non-remittance, considering some payables date back to April, 2015.

Management Response

1150. The staff debtors which stood at KSh.20,217,239 in the financial year 2019-2020 have dropped to KSh.19,539,978 in the financial year 2020/2021. This is because the University is pursuing the debt and the staff members who had left with university with the loans have been paying.
1151. It's worth noting that the members of staff had deposited their title deeds with the institution as a condition to be given the loans. The University has ensured that the title deeds have cautions registered on them so that the affected former staff members do not dispose of their property without our consent and are pressured into clearing their debts (Appendix 3.1a-d). It should be noted that some members of staff whose titles we had retained for loans advanced to them have paid all their debts – D. N. Kigo (original debt 452,869.30) and P. Omutia (original debt 2,339,340.07). The University has put in place an elaborate staff clearance procedure to mitigate this kind of risk.
1152. The advance payment to a vendor of KSh.2,000,000 noted in the books came up in the year 2012/2013. The management at that time entered into a contract with the vendor to develop a marketing strategy for Multimedia University and run the programme in the media. Since this was a long term programme, a down payment was made of KSh.2,000,000 after the vendor prepared the contents of the programme. However, when Multimedia University became a fully-fledged university in March 2013, the marketing strategy idea was shelved and the issue is still pending. To caution the University against any loss, an equivalent amount was withheld when processing the final dues of the accounting officer. (Appendix 3.2).

1153. Most of the balances that are over five years for both Student and Trade debtors fall in the category of balances that the University wrote to the Treasury for write off since they were inherited from Kenya College of Communications Technology and were completely unsupported. The University has written to the Treasury on two occasions and we have provided for them in full in the Provisions for Bad Debts. We are still waiting for approval by the Treasury before we can write them off in our books

Committee Observation

1154. The Committee observed that the Institution incurred an expensive consultancy fee which is deemed unnecessary since the project did not take off. Consultancy fee which is usually a percentage of the project value was not ascertained since the institution did not have the project value to begin with. The process of consultancy of this project was therefore unlawful.

Committee Recommendation

1155. The Committee notes that there was no value for money and further recommends that future planning, estimates and consultation of projects should be in line with the law.

15.1.14 Budgetary control and performance

1156. The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of KSh.1,263,576,063 and KSh.933,661,727 respectively, resulting to a shortfall of KSh.329,914,292 or 26% of the budget. Similarly, the University had an expenditure of KSh.1,212,338,162 resulting to an under-expenditure of KSh.46,980,338 or 4% of the budget.
1157. The under collection of revenue and under expenditure affected the planned activities and might have impacted negatively on service delivery to the public

Management Response

1158. The shortfall in the revenue is due to the prevailing unfavourable economic conditions as a result of Covid 19. The reduction in the actual expenditure is due to cost cutting measures which the University put in place due to harsh economic conditions. In the current budget the university has adjusted the budget accordingly after taking into account the prevailing conditions. The product of lesson learnt is exhibited in the attached quarter 3 accounts for the year 2021/2022.

Committee Observation

1159. The Committee further observed that public universities were over-reliant on government capitation, and did not exploit their own income generating internal capacity and potential.

Committee Recommendation

1160. The Committee recommends that the institution should make use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.
1161. The Committee further recommends that the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.

15.1.15 Casual employees engaged for more than three months

1162. Review of the manual payroll for the financial year 2020/2021 revealed that seventy-seven (77) casual workers were engaged continuously for more than three (3) months earning a gross salary of KSh.9,168,694 contrary to Section 37, subsection 1(a) and (b) of the Employment Act, 2007 which requires that casual employees should not be engaged for more than a period of three months continuously.
1163. In the circumstances, Management was in breach of the law

Management Response

1164. The Employment Act, under Section 37 (1) provides that a temporary worker employed for a continuous period which in the aggregate period is not less than one (1) month and the same is for a period of more than three (3) months then the engagement automatically becomes a contract of employment. In respect to this then it is noted that the temporary workers engaged, were not engaged for a continuous period of more than one month and were only allocated certain working days depending on the tasks given. In fact their services were engaged on a need basis.
1165. This therefore does not qualify the engagement to be that of a contract of service (employment) as per the act. It should also be noted, that the Treasury circular dated 9th March, 2020 froze hiring of employees on pensionable basis due to the financial status in Ministries, Departments and Agencies.

Committee Observations

1166. The Committee observed that indeed the casual workers were engaged continuously for more than 3 months which is in breach of section 37 of the Employment Act 2007.
1167. Further, during the Committee's deliberations, it was observed that the finance officer has been acting for more than 2 years contrary to the law. Section 34 (3) of the Public Service Commission Act, No. 10 of 2017 is more authoritative to the effect that public officers can only serve in acting capacity for a period of one month, and up to a maximum period of six months.

1168. Recruitment of a qualified chief finance officer is very substantial to the operations of any institution and it is not administratively prudent for one to hold the head of finance position without the required qualifications.
1169. Despite there being an embargo on employment in the institution, the Committee confirmed that there was employment of a Human Resource Manager but not a finance person. This being a selective recruitment, the Committee therefore finds the institution in breach of the law.

Committee Recommendations

1170. The Committee recommends that –
- i. the Accounting Officer abides by the law by ensuring recruitment of qualified staff to substantive positions within the institution.
 - ii. the Accounting Officer abides by Section 37 of the Employment Act, 2007 which states that a casual employee should not be engaged continuously for more than 3 months.

15.1.16 Unauthorized impaired receivables

1171. The Committee observed that the matter had recurred from the previous financial year and reiterates its recommendation.

15.1.17 Audit risk and governance committee meetings

1172. During the year under review, the Audit Risk and Governance Committee only held three (3) meetings contrary to the provisions of the Regulations 179 of the Public Finance Management Regulations, 2015, on the functions and responsibilities of the audit Committee.
1173. In the circumstances, the identification and mitigation of risks and weaknesses existing in the systems of internal controls could not be confirmed.

Management Response

1174. The term of the University Council for Multimedia came to an end on 30th July 2020. The reappointment of the University Council was done on 4th November 2020. Therefore, it was not possible to hold an audit committee during the 1st quarter of the financial year 2020-2021 because there was no Council in place. This resulted to holding only three quarterly audit committees during the FY 2020-2021. See appendix 9.1 gazette notice No.8996 attached. An improvement or normal situation has resumed, and each quarter had a meeting as the law requires.

Committee Observation

1175. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1176. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

15.1.18 Lack of policy documents

1177. The University did not have in place an approved Information Technology (IT) Security Policy, Information Technology Strategic Plan and Information Technology Strategic Committee in place.

1178. In the circumstances, the Management lacks a mechanism to help in detection and mitigation of any possible risk to the University.

Management Response

1179. The ICT Governance

- (a) Information Technology Steering Committees: These committees have not yet been formed as required by the Government ICT Standards: IT Governance Standard (2nd Edition) Clause 6.2. However, during the review of the MMU Statutes 2014, this requirement was recommended for inclusion by Directorate of ICT. On approval of the Statutes, the committees should be operational.
- (b) ICT Policy: A draft ICT Policy (2022-2025) was developed and is currently in the approval stages, awaiting tabling in the Senate before proceeding to the University Council for final approval.
- (c) Business Continuity Plan/Disaster Recovery Plan: This is covered under approved ISO 9001:2015 MMU Procedure Manual Ref: MMU/VC/ICT/PM/06 Data Backup and Restoration. Further, a Disaster Recovery site has been identified and approval given at the UMB meeting of 9th May 2022 to set up collocated server to be operational in Q2 of FY 2022/2023. Server has been installed in the remote site and configuration and testing is in progress.
- (d) ICT Strategy: There is no approved IT Strategic Plan. However, the Directorate is waiting the new MMU Strategic Plan as well as approval of the ICT Policy in order to develop the ICT Strategic Plan for the next 3 years (2022 -2025).

Committee Observation

1180. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1181. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

16.0 KIAMBU INSTITUTE OF SCIENCE AND TECHNOLOGY

1182. Mr. Sammy Waititu, Principal, accompanied by;

- i) Ms. Mercy Nyakundi- Finance Officer
- ii) The Board of Trustees

appeared before the Committee to adduce evidence on the audited accounts of Kiambu Institute of Technology, on 5th July 2023

Audited statements for Financial Year 2018/19 (Adverse Opinion)

16.1.1 Unaudited opening balances and comparative figures

1183. The Institute's Management did not submit financial statements for FY 2017/2018 financial year to the Auditor General for audit contrary to the requirements under Section 47 of the Public Audit Act, 2015 which requires the financial statements to be submitted to the Auditor General within three months after the end of the fiscal year to which the accounts relate.
1184. Consequently, the validity, completeness and accuracy of all the opening balances in the financial statements under review could not be confirmed.

Management Response

1185. Financial statements for the FY 2017/2018 were submitted for audit to the schools' auditors, Ministry of Education. The audit exercise was completed and an audit certificate issued.

Committee Observation

1186. The Committee observed that the Institute had at the time been audited by auditors in the Ministry of Education and an audit report issued, therefore confirming that the query is resolved.

Committee Recommendations

1187. The Committee recommends that –
- i. the Institution adopts the approved audit method and the required standards of preparing documents as required by the PFM Act 2012 and in accordance with the International Public Sector Accounting Standards.

- ii. the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

16.1.2 Unaccounted for land and property

1188. The statement of financial position as at 30th June 2019 reflects property, plant and equipment balance of Kshs. 285,548,945. However, the balance excludes the value of 70 acres of land on which the institute is located, immovable property and farmland. The land and property on it has not been valued for reporting purpose in line with IPSAS 17 on Property, Plant and Equipment.

Management Response

1189. The property, plant and equipment balance excluded the value of 70 acres parcel of land LR No.81/47 on which the institution sits on as the allocation of the land was done in October 2019 after the financial statements were prepared and submitted.
1190. The value of the land will be established and included in property, plant and equipment in the subsequent years. A letter was written to the Ministry of Lands requesting for valuation.
1191. The Institute has budgeted for property valuation in the proposed budget for FY2023/2024 (Budgeted amount Ksh 3.5 Million).

Committee Observation

1192. The Committee observes that -
- i. the Institution owned 70 acres of land out of 200 acres which leaves 130 acres under the ownership of the Board of Trustees.
 - ii. the existence of the Board of Trustees in the institution to manage all its assets and the rationale used to award KIST 70 acres is irregular in light of the TVET Act 2013.

Committee Recommendations

1193. The Committee recommends that -
- i. the institution values the land and includes it in their financial statements for audit in the next audit cycle.
 - ii. the Board of Trustees ceases, with immediate effect, its operations within the Institution which is a government institution, whose operations are governed by the Board of Governors in accordance with the TVET Act 2013.
 - iii. the Ministry of Education, in collaboration with The National Treasury, the Ministry of Lands, and the National Land Commission, secures the 200 acres under the ownership Kiambu Institute of Science and Technology, within six (6) months following adoption of this report by the House.

- iv. the Office of the Auditor General reports on the implementation status of the above two recommendations during the next audit cycle.

16.1.3 Understatement of property, plant and equipment balance

1194. The statement of financial position reflects a balance of 285,548,945 under the property, plant and equipment as at 30th June 2019. Included in the balance is work in progress of 98,296,418 relating to Library and ICT Resource Centre revealed an additional expenditure of Ksh 37,110,165.99 incurred during the year was not included in the property, plant and equipment balance.
1195. Under the circumstances, the value of PPE as well as the accuracy and completeness of the Ksh 285,548,945 as at 30 June, 2019 could not be confirmed.

Management Response

1196. The total cost of construction of the Library and ICT Resource Centre was transferred from the work-in-progress in the FY 2019/2020 to buildings.

Committee Observation

1197. The Committee observed that the matter was resolved as the Auditor General was satisfied with the responses.

Committee Recommendation

1198. The Committee recommends that the Accounting Officer henceforth complies with International Public Sector Accounting Standards (IPSAS).

16.1.4 Unsupported figure from receivables from exchange transactions

1199. The statements of Financial Position reflects current and long term receivables from Exchange Transactions balances of Kshs. 26,052,983 and Ksh 13,162,889 respectively as at 30 June 2019 both totalling Ksh 39,215,872. The balances include receivables from Riara Coffee Farm and Board of Trustees of the Institute amount of Ksh 10,767,457 and Ksh.1,993,932 respectively after netting off unsupported receipts of Ksh 5,653,393.
1200. However, the balances which have been disclosed as due from Riara Coffee Farm and Board of Trustees of the institute were not supported by an analysis, ledgers or schedules. Further the terms and conditions of the loan to the BOT and repayment including interest charged on the reported balance of Ksh 1,993,932 were not provided for audit review.
1201. Consequently the accuracy, existence, rights and obligations of the receivables from exchange transactions balance of Ksh 39,215,872 as at 30 June, 2019 could not be confirmed.

Management Response

1202. Analysis of the summarised receipts from Board of Trustees and the schedules and the individual receipts amounting to Ksh 5,653,393 has been availed.
1203. Ksh. 1,993,392 is a long outstanding debt owed to KIST by Board of Trustees. The Board of Governors shall discuss the recoverability of this amount in order to decide whether it shall be written off.

Committee Observations

1204. The Committee observes that –

- i. the Board of Trustees are working within the institute managing its assets alongside the Board of Governors. This is in breach of law since two boards cannot be operating in one institution. Moreover, the Board of Trustees is not legally recognised by law since the enactment of the TVET Act 2013 which recognises the Board of Governors.
- ii. the Board of Trustees by the institution is deemed illegal since there is no valid financial relationship between the two boards.

Committee Recommendations

1205. The Committee recommends that -

- i. the Board of Trustees ceases, with immediate effect, its operations within the Institution since it is a government institution and its operations are governed by the Board of Governors according to the TVET Act 2013;
- ii. the management of KIST recovers the outstanding loan balance of Kshs. 1,993,392 advanced to the BoT and the interest thereof;
- iii. the Office of the Auditor General reports on the implementation status of the above two (2) recommendations during the next audit cycle;
- iv. the EACC and DCI investigates on the operations of the BoT in the management of Riara Coffee Farm and the accountability of the proceeds from the Farm following enactment of the TVET Act 2013.

16.1.5 Long term borrowings

1206. As disclosed in Note 24 to the financial statements, the statement of financial position reflects long term borrowings amounting to Ksh 116,047,944 which were outstanding as at 30 June 2019. The amounts relate to loans from a bank borrowed in three tranches of Ksh 9,000,000, Ksh 58,000,000 and 100,000,000 in 2012, 2013 and 2014 respectively.
1207. However part of the loan amounting to Ksh 20,000,000 was given to the Board of Trustees (BoT) immediately the approval was received. Management of the Institute confirmed that the funds were advanced to BoT for operational costs of the Board and to cater for expenses

of Riara Coffee Farm. Although the Institute pays interest to the bank on the loan received including the portion of the BoT, no interest is charged on the amount advanced to the BoT who only pay the principal amount.

1208. During the year under review, the institute incurred interest charges on top of the loan amounting to Ksh 16,707,927. No explanation was given as to why the Institute continues to pay interest on the loan advanced to BoT.

1209. As a result, the validity of the loan interest paid during the year under review of Ksh 16,707,927 and advances to BoT of Ksh 20 Million could not be confirmed.

Management Response

1210. The loan of Ksh. 158,000,000 was guaranteed by the Board of Trustees (BoT). Part of the Ksh. 158,000,000 loan was Ksh. 20,000,000 advanced to BOT by the bank. The agreement was that the institute pays the termly instalment to the bank and BOT reimburse the institute its portion of loan instalment. The BoT has not defaulted in repayment of the loan. The BoT pays monthly instalments of Ksh 335,527.

Committee Observations

1211. The Committee observed that-

- i. the Institute advanced Ksh 20,000,000 loan to the Board of Trustees incurring no interest. However, the Institute which is the holder and guarantor of the loan incurs interest on the whole amount loaned including the Ksh. 20,000,000 which was advanced to the BoT. There was no sufficient reason given as to the financial relationship between the institute and the Board of Trustees.
- ii. the Institution, being a public entity, did not seek any approval from the Ministry of Education and The National Treasury when the management took the loan facility.

Committee Recommendations

1212. The Committee recommends that -

- i. the Board of Trustees ceases, with immediate effect, its operations within the Institution since it is a government institution and its operations are governed by the Board of Governors according to the TVET Act 2013;
- ii. the EACC and DCI investigates on the terms and conditions of the loan advanced to the BoT by the management of KIST.

16.1.6 KIST land ownership status and Board of Trustees operations

1213. Available information indicates that the Board of Trustees (BoT) of Kiambu Institute of Science and Technology (KIST) purchased 200 acres of land through public contribution (“harambee activities”) by the then Kiambu District Community in the 1970s and had the land registered under the Board. The Board has continued to control the parcel of land on which KIST is situated and other immovable investments on it through presumed ownership.
1214. Although a letter Ref: KIST/BOT/C/2019/011/18 dated 20 December, 2019 drawn by the Registered Board of Trustees of KIST indicates that the BOT had transferred to KIST approximately 70 acres out of the 200 acres of land L.R No. 81/47 through a lease of 99 years to The National Treasury/KIST, the title deed for the whole parcel or the portion was not provided for audit review.
1215. Further, no information and records were provided for audit review on the BOT operations including audited financial statements. Apart from the 70 acres of land claimed to have been transferred to KIST, the BOT also controls a section of land registered as Riara Coffee Estate and has constructed rental houses which are occupied by KIST staff and members of public from which the BOT is collecting rent. The amount of revenue received from the operations on the remaining parcel of public land not used by KIST but controlled by BOT could not be ascertained in the absence of records on the operations of the BOT.

Management Response

1216. The lease for the 70 acres of land has now been availed.
1217. The Board of Trustees is an independent entity and therefore Kiambu Institute does not have access to their information and records regarding their financial statements.

Committee Observations

1218. The Committee observes that -
- i. the land in question (200 acres) is owned by the Board of Trustees, a body which is not recognized by law since the enactment of TVET Act in 2013. The remaining 130 acres owned by the BoT are not audited and neither are they benefiting the Institution.
 - ii. the Board of Trustees controls a section of the land registered as Riara Coffee Estate and has also constructed rental houses which are occupied by the institution’s staff and members of the public in which the Board of Trustees collects rent.

Committee Recommendation

1219. The Committee recommends that the Board of Trustees surrenders all property, including land, to the Institution and immediately disengages in all activities concerning the Institute.

16.1.7 Delayed construction of Library and ICT Resource Centre

1220. Available information indicates that the construction of the library and ICT resource centre project started in March, 2011 and the initial contract was awarded to a contractor at a sum of Kshs.60,145,454. The construction entailed four phases, with phase one for ground floor, phase two-1st floor, phase three-2nd floor and phase four-3rd floor all with top floor slab or roof works. The contract sum for phase one was paid in full in 2013 after arbitration settlement.
1221. After the first contractor had been paid, the Institute re-advertised the same works using similar bills of quantities and subsequently awarded Contract No. KIST/LIB/ICT/001-2010/051820 for the construction of Library and ICT Resource Centre phase 1 to a contractor in July, 2015 at a contract sum of Kshs.61,479,320. The project commencement date was 27 July, 2015 and was scheduled to be completed by 27 November, 2016.
1222. However, the completion of the project was delayed again for unexplained reasons and the contract was mutually terminated before completion on 29 November, 2019, three years after the lapse of completion date. The contractor was also paid certified value of completed works amounting to Kshs.37,110,166 and retention money of Kshs.3,636,016 and additional claim of Kshs.4,037,512 arising from the contractor's idle labour, loss of profit and extended preliminaries costs, bringing the total payments to the second contractor to Kshs.44,783,694.
1223. In total the Institute has spent Kshs.104,929,148 for phase 1 of the project initially planned to cost Kshs.60,145,454 resulting to a variation of Kshs.44,783,694 or 74% .The variation/amendment was not approved in writing by the Accounting Officer and the tender awarding authority as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015.The Management did not give plausible justification for the poor handling of the project and wasteful expenditure for a project yet to be completed.
1224. Consequently, value for money and the legality of the expenditure of Kshs.104,929,148 so far incurred on Library and ICT Resource Centre could not be confirmed.

Management Response

1225. The Completion of the project was due to delays in disbursement of funds by the Ministry of Education which was not consistent with the progress of works therefore occasioning work stoppages by the contractor.
1226. Mutual termination of the contract was initiated by the contractor when he found that the contract had taken too long and the rates would require to be revised to cater for inflation. The Board of Governors (BoG) considered the matter and found it prudent to terminate the contract to avoid future claims of loss of profit and interest. The government had not funded the project substantially for the contractor to resume operations.
1227. The contractor, Mukasi builders (K) LTD wrote for termination of the contract through mutual agreement.

Committee Observations

1228. The Committee observed that –

- i. the initial contractor was paid in full although he had not completed the project to its totality which constituted readvertisement of the same works. The second contractor who was to complete the project had a higher contractual term which led to a 74% variation. This was brought about by omission of a section of the building in the initial Bills of Quantities.
- ii. the variation amendment was not approved in writing, contrary to Section 129(1)(a) of the PPAD Act, 2015. The Committee therefore found the whole construction and contractual process fraudulent.

Committee Recommendation

1229. The Board of Governors and the Accounting Officer at the time to be investigated by the EACC and the DCI for breach of the law governing contract variations (Section 129(1)(a) of the PPAD Act, 2015).

16.1.8 Irregular variation of contracts for mentorship of other technical institutes

1230. The statement of financial position reflects current liabilities of Kshs.23,677,399 in respect to transfers to other institutions. A review of records and Note 20 to the financial statements revealed that the balance relates to unspent grants received by the Institute on behalf of newly established technical institutions for recurrent and development purposes over a period of four financial years from 2015/2016. A review of the expenditure on the mentorship of other technical institutes revealed the following irregularities:

i. Gatundu South Technical Training Institute (TTI)

1231. During the financial year 2015/2016, the Ministry of Education Science and Technology appointed KIST to mentor Gatundu South TTI among other TTI's within Kiambu County. The Ministry and the National Government Constituencies Development Fund (NGCDF)-Gatundu South Constituency were to co-fund the establishment of the TTI in Gatundu South Constituency.
1232. The initial project comprised construction of twin workshop, classrooms and office blocks. Contract No. MOEST/TVET/6/2015-2016 for the construction of the Institute was awarded to a contractor at a contract sum Kshs.54,481,165 for a contract period of one year.
1233. Although the project duration was 1 year or twelve months, the implementation however dragged on for more than 30 months up to August, 2018 when the contractor raised the last Interim Certificate No. 8. No reason was given for the delay.
1234. Further, a scrutiny of the certificates raised and approved for payment to the contractor revealed that the total claim for the project amounted to Kshs.65,826,035 instead of the

contract sum of Kshs.54,481,165 resulting in a price variation of Kshs.11,344,870 or 21%. The variation or amendment was not approved in writing by the Accounting Officer and the tender awarding authority as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015.

1235. An inspection carried out in August, 2020 revealed leaking roof, cracks on the wall and poor drainage works implying poor workmanship. Further, the contractor put up a septic tank instead of bio-digester approved by the Ministry and specified in the bills of quantities without approval.
1236. As a result, it has not been possible to ascertain that value for money was obtained against the expenditure of Kshs.65,826,035 incurred on the project.

ii. Nachu Technical Training Institute (TTI)

1237. During the financial year 2014/2015, the Ministry of Education Science and Technology appointed KIST to mentor Nachu TTI among other TTIs within Kiambu County and to manage the construction of twin workshop, classrooms and office blocks in Nachu TTI. A tender was advertised and Contract No. MOEST/TVET/60/2014-2015 was subsequently awarded to a contractor at a contract sum of Kshs.48,568,202.20.
1238. However, the final claim and payment amounted to Kshs.59,957,248, resulting in a price variation of Kshs.11,389,046. The variation comprised of Kshs.4,900,000 for septic and fire equipment (both approved by the Ministry of Education) and Kshs.6,489,046 for re-measured works which was not approved in writing by the Ministry of Education and tender awarding authority as required by Section 139(1)(a) of the Public Procurement and Asset Disposal Act, 2015.
1239. An inspection of the project carried out in August, 2020 revealed leaking roof and cracks on the floor of the building which is an indication of poor workmanship. Consequently, the regularity and the value for money of the expenditure of Kshs.59,957,248 could not be confirmed.

iii. Lari Technical Training Institute (TTI)

1240. Similarly, the Kiambu Institute of Science and technology was appointed during the financial ear 2014/2015 by the Ministry of Education Science and Technology to mentor Lari TTI and to manage construction of twin workshop, classrooms and office blocks for the new institute.
1241. Available information indicates that Contract No. MOEST/TVET/22/2014-2015 was awarded to a contractor at a contract sum of Kshs.47,671,746 as the lowest evaluated bidder. However, scrutiny of the project records revealed that the total claim for the works amounted to Kshs.57,760,615 resulting to a price variation of Kshs.10,088,869. The variation comprised of Kshs.4,950,000 for septic and fire equipment which were approved by the Ministry of Eeducation and Kshs.5,138,869 for re-measured works which was not however

approved as required under Section 139(1)(a) of the Public Procurement and Asset Disposal Act 2015.

1242. Further, physical verification revealed poor workmanship as evident by leaking roof and cracks on the floor of the building.

iv. Limuru Technical Training Institute (TTI)

1243. During the financial year 2015/2016, the Ministry of Education Science and Technology appointed KIST to mentor Limuru TTI and manage construction of twin workshop, classrooms and office blocks. Tender No. MOEST/TVET/7/2015-2016 was awarded to a contractor at a contract sum of Kshs.54,984,099, as the lowest evaluated bidder.
1244. A review of the project records and payment documents revealed that the works commenced on 25 November, 2015 and were to be completed in 52 weeks with a completion date of 20 March, 2017. However, the construction works took over three years up to 14 November, 2019 to complete without plausible explanation. Further, physical verification of the facility revealed cracks on the floor a sign of poor workmanship.
1245. Consequently, it has not been possible to ascertain whether the Institution obtained value for money for the expenditure incurred on the project.

Management Response

1246. The Management Provided a report for the meetings held from 7th February 2020 to 10th February 2020 on the reconstituted tender committees to address the issue of variation of contracts for Gatundu South, Lari and Nachu TTIs. This was in line with the Ministry of Education directive in reference to a letter (MOE/VTT/ADM/2/6 Vol. VI dated 6th January 2020) after KIST had written a letter to the MOE requesting for approval of variations.
1247. The Ministry of Education fully funded the projects till completion and handover of the institutions. Certificates of practical completions and making good defects report for the mentored institutions have been provided.

Committee Observation

1248. The Committee observed that the projects' total claims of Ksh 183,543,898 were made in respect of three projects exceeding the contract sum of Kshs. 32,822,785. The above variation was not approved by the Ministry of Education and the tender Committee as required by Section 139(1) (a) of the PPAD Act 2015. Further, a contingent liability in respect of these variations has not been disclosed in these financial statements.

Committee Recommendation

1249. The Board of Governors and the Accounting Officer at the time to be investigated by the EACC and the DCI for breach of the law governing contract variations (Section 129(1)(a) of the PPAD Act, 2015).

16.1.9 Failure to subject Staff Honoraria to Pay As You Earn (PAYE)

1250. Disclosed in Note 8 to the financial statements under use of goods and services is an expenditure of Kshs.18,612,892 on catering expenses. Included in the expenditure is an amount of Kshs.4,998,727 relating to honoraria allowance and overtime paid to members of staff during the year. However, the payment was not subjected to taxation as required under the Income Tax Act.
1251. As a result, the Institute failed to comply with the Income Tax Act on collection and remittance of taxes to Kenya Revenue Authority amounting to Kshs.1,499,618.

Management Response

1252. The honoraria was paid mostly to kitchen, security, housekeeping and other office staff as an appreciation for extra effort during hosting of KNEC Examination marking exercise in August and December. The staff paid are below 30% tax bracket and the payment was treated as overtime thus not subjected to tax.
1253. The management has however noted this recommendation that such honoraria should be subjected to taxation and efforts will be made to pay allowances through the payroll.

Committee Observation

1254. The Committee observed that the management was in breach of the law by failing to recover requisite tax dues to KRA.

Committee Recommendation

1255. The Committee recommends that the Accounting Officer immediately recovers the tax due from the beneficiaries within three months of adoption of this report, failure to which the Accounting Officer responsible at the time be surcharged subject to Article 226(5) of the Constitution.

16.1.10 Non-Compliance with the law on Procurement

1256. Included in the catering expenses of Kshs.18,612,892 under use of goods and services is an amount of Kshs.13,695,289 incurred on seminar, food and boarding expenses. However, a review of records revealed that the services were provided by few suppliers although the Institute had many prequalified suppliers. Although the Management explained that framework agreement for the procurement was used, no procurement records were presented showing how the few successful suppliers were selected from the pre-qualified suppliers under the framework agreement.
1257. Further, during the financial year 2018/2019, the Institute generated catering services income of Kshs.9,897,108 against expenditure of Kshs.18,612,892, resulting in a loss/deficit of Kshs.8,715,784. This is an indication of operational challenges and mismatch between catering costs and sales.

Management Response

1258. The management took note of the recommendation and currently the Institute uses a pre-qualified list of suppliers whereby suppliers are requested to quote for supply of goods and services and then evaluated regularly for competitiveness.

Committee Observation

1259. The Committee observes that the Management of the Institute failed to provide the relevant documentations for audit, contrary to Section 9(1)(e) of the Public Audit Act, 2015.

Committee Recommendation

1260. The Committee recommends that the Accounting Officer be reprimanded for failure to adhere to Section 9(1)(e) of the Public Audit Act, 2015.

16.1.11 Corporate Governance

1261. Records provided for audit revealed that the Board of Trustees of Kiambu Institute of Science and Technology (KIST) is a body incorporated under the Trustee Perpetual Succession Act, Chapter 164 of the Laws of Kenya while KIST is established under the Technical and Vocational Education and Training Act, 2013. On page xiv of the report on Management Discussion and Analysis attached to the financial statements for the year ended 30 June, 2019 is a disclosure on existence of serious governance issues in the Institute. The report indicates the existence of two parallel boards which manages the Institute. A Board of Trustees (BOT) which owns the Institute land and has interest on the Institute's immovable property and development on it. On the other hand, a Board of Governors (BOG) which has been appointed under the Technical and Vocational Education and Training Act, 2013. As a result of the existence of the two Boards, there has been persistent conflict on planned development and finance leading to inefficient formulation of policies, procedures and execution of other functions of the Board.

Management Response

1262. The Institute has only one board. Board of Trustees (BoT) does not make any decisions on behalf of the Institute. The KIST Board of Governors (BoG) is appointed by the Cabinet Secretary, Ministry of Education. They are responsible for the management of KIST as a government training institution.

Committee Observation

1263. The Committee observes that -
- i. KIST operates under the management of two distinct boards, namely, the Board of Trustees which is a body corporate incorporated under the Trustee Perpetual

Succession Act, Chapter 164 and the Board of Governors appointed under the TVET Act, 2013. The TVET Act of 2013 vests the responsibility for managing all TVET institutions to the Board of Governors.

- ii. the BoT holds 200 acres of land in trust for the institution, with 70 acres of it having been leased to the institution for 99 years. Consequently, any BoG development plans are subject to concurrence by the BoT.

Committee Recommendations

1264. The Committee recommends that –

- i. the Board of Trustees ceases, with immediate effect, its operations within the Institution which is a government institution, whose operations are governed by the Board of Governors in accordance with the TVET Act 2013.
- ii. the Office of the Auditor General reports on the implementation status of the above recommendation during the next audit cycle.

Audited statements for Financial Year 2019/20 (Adverse Opinion)

16.1.12 Inaccuracies in the Financial Statements - Unreconciled Use of goods and services

1265. The statement of financial performance for the year ended 30 June, 2020 reflects use of goods and services expenditure of Kshs.113,226,425. However, the ledger presented for audit indicated an amount of Kshs.111,853,340 resulting in unexplained variance of Kshs.1,373,084.
1266. As a result, the accuracy and completeness of the use of goods and services of Kshs.113,226,425 for the year ended 30 June, 2020 could not be confirmed.

Management Response

1267. An analysis of the variance has been availed.

Committee Observation

1268. The Committee observes that the matter remains unresolved as the differences remain unreconciled, contrary to Section 68 (2)(l) of the PFM Act, 2012 which requires the Accounting Officer takes appropriate measures to resolve any issues arising from audit which may remain outstanding.

Committee Recommendations

1269. The Committee recommends that -

- i. the Accounting Officer be reprimanded and carries out reconciliation of the variances.

- ii. the Office of the Auditor General confirms compliance with the above recommendation during the next audit cycle.

16.1.13 Inaccuracies in the Financial Statements - Unreconciled revenue

1270. The statement of financial performance for the year ended 30 June, 2020 reflects revenues under transfers from National Government and rendering of services-fees from students totalling Kshs.128,862,250 and Kshs.276,831,655 respectively. However, the revenue are at variance with supporting schedules revenue amounts of Kshs.125,100,000 and Kshs.214,492,918 resulting in variances of Kshs.1,215,000 and Kshs.62,338,737 for the two revenue streams respectively which have not been reconciled or explained.

Management Response

1271. The institute received transfers from national government as detailed below.

S/No.	Quarter	Purpose	FY	Bank statement date	Amount
	1	Capitation grants	2019/2020	18/10/2019	29,955,000
	2	Capitation grants	2019/2020	10/06/2020	53,445,000
	3 & 4	Capitation grants	2018/2019	10/07/2019	42,915,000
	3 & 4	Library grants	2018/2019	05/07/2019	2,547,250
Total					128,862,250

1272. The total capitation grants received as per table above is Ksh. 126,315,000 which is reflected in our financial statements Note. 1 and Library grants Ksh 2,547,250

1273. The statement by the auditor that, the revenue are at variance with supporting schedules revenue amounts of Kshs.125,100,000 giving a variance of Ksh. 1,215,000 is incorrect.

1274. Rendering of services-fees from students was adjusted with opening and closing fees arrears and fees overpayments balances, HELB and bursary funds allocated to students and fees refunds to students.

1275. All other revenues under rendering of services-fees from students were as per the availed supporting schedules.

1276. This explains the variance of Ksh. 62,338,737 as quoted by the auditor.

Committee Observation

1277. The Committee observes that the matter remains unresolved as the variance of Ksh. 62,338,737 remains unreconciled, contrary to Section 68 (2)(l) of the PFM Act, 2012 which requires the Accounting Officer takes appropriate measures to resolve any issues arising from audit which may remain outstanding.

Committee Recommendations

1278. The Committee recommends that -

- i. the Accounting Officer be reprimanded and carries out reconciliation of the variances.
- ii. the Office of the Auditor General confirms compliance with the above recommendation during the next audit cycle.

16.1.14 Statement of cash flows

1279. The statement of cash flows for the year ended 30 June, 2020 reflects total receipts from operating activities of Kshs.405,371,575. However, the receipts include items described as receivables from exchange transactions, refundable deposits from customers/students and receivables from exchange transactions amounting to Kshs.27,201,547, Kshs.26,234,508 and Kshs.446,643 respectively which have not been supported by schedules. Further, fees paid in advance reflected as Kshs.15,267,084 is at variance with actual computed figure of Kshs.10,859,330 resulting in unexplained difference of Kshs.4,407,754.

Management Response

1280. The fees paid in advance for the year ended 30th June 2020 was Ksh. 15,267,084 and fees paid in advance for the year ended 30th June 2019 was Ksh. 4,407,754 giving an increase in cash inflow of Ksh. 10,859,330. However, the format of the cash flow statement is the direct method, hence we only reflect the actual receipts and payments and not the differences/movement in cash flows.

Committee Observation

1281. The Committee observes that the matter remains unresolved as the differences remain unreconciled, contrary to Section 68 (2)(l) of the PFM Act, 2012 which requires the Accounting Officer takes appropriate measures to resolve any issues arising from audit which may remain outstanding.

Committee Recommendations

1282. The Committee recommends that -

- i. the Accounting Officer be reprimanded and carries out reconciliation of the variances.
- ii. the Auditor General confirms compliance with the above recommendation during the next audit cycle.

16.1.15 Lack of ownership documents and valuation of property, plant and equipment

1283. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

16.1.16 Unsupported transfer of work in progress to property, plant and equipment

1284. The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.369,050,159, and which as disclosed in Note 17 to the financial statements includes buildings valued at Kshs.105,969,946 relating to transfer of completed capital work in progress during the year. However, supporting schedules presented for audit reflects a balance of Kshs.107,190,761 resulting in unreconciled difference of Kshs.1,220,815.

1285. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.369, 050,159 as at 30 June, 2020 could not be confirmed.

Management Response

1286. The total amount in work in progress was Ksh. 188,586,599. The transfer of Ksh. 105,969,946 was done in order to have the correct balance of Ksh. 82,616,652.75 for the on-going construction of the proposed tuition block.

Committee Observation

1287. The Committee observes that the matter remains unresolved as the variance of Ksh. 1,220,815 remains unreconciled, contrary to Section 68 (2)(l) of the PFM Act, 2012 which requires the Accounting Officer takes appropriate measures to resolve any issues arising from audit which may remain outstanding.

Committee Recommendations

1288. The Committee recommends that -

- i. the Accounting Officer be reprimanded and carries out reconciliation of the variances.
- ii. the Office of the Auditor General confirms compliance with the above recommendation during the next audit cycle.

16.1.17 Irregularities in receivables from exchange transactions

1289. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

16.1.18 Irregular variation of contracts and undisclosed contingent liabilities

1290. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendations.

16.1.19 Unresolved prior year issues

1291. The Committee observed that the matters have been addressed in the previous financial year reiterates its recommendations.

16.1.20 Failure to submit financial statements for audit to Auditor General

1292. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendations.

16.1.21 Unauthorised variation of contract cost for construction of tuition block

1293. Included in the property, plant and equipment values amounting to Kshs.369,050,150 is work-in-progress of Kshs.75,048,970 relating to construction of a tuition block. Review of procurement records provided for audit revealed that the contract for the block was awarded at a contract sum of Kshs.75,048,970. However, scrutiny of the certificates raised and approved for payment revealed the total payments for the project amounted to Kshs.82,616,652.75 instead of the contract sum of Kshs.75,048,970 resulting in unexplained price variation of Kshs.7,567,683 which was not approved by the Ministry of Education and the Tender Committee as required by Section 139 (1)(a) of the Public Procurement and Asset Disposal Act, 2015. Further, the contract sum included an unaccounted provisional sum of Kshs.1,050,000 and contingency of Kshs.2,500,000. As a result, the Institute Management was in breach of law.

Management Response

1294. The minutes approving variation of costs for the tuition block have been availed.

Committee Observations

1295. The Committee observed that -

- i. the award of the contract was irregular as it was not awarded to the lowest bidder contrary to the provisions of Article 227 (1) of the Constitution of Kenya and Section 86 (1) of the Public Procurement and Asset Disposal Act, 2015;

- ii. the institution would have saved Ksh. 9,299,830 in addition to the unjustified variation of Kshs.18,144,179, totalling to Kshs.27,444,009 if the lowest bidder had been awarded the contract;
- iii. the cumulative payment to the contractor exceeded the approved variations by Kshs.138,289

Committee Recommendations

1296. The Committee recommends that -

- i. the Accounting Officer is held culpable for violating the Provision of the Public Procurement and Assets Disposal Act. 2015;
- ii. the EACC and DCI institute an inquiry into the procurement irregularities.

16.1.22 Staff recruitment

1297. Review of employees' records revealed that during the year under review, the Institute Management appointed 27 new trainers to fill vacant positions in departments of hospitality, building and civil engineering. However, Management did not provide evidence on the advertisement of the positions. Consequently, it has not confirmed whether the employees were recruited competitively.

Management Response

1298. The recruitment of trainers employed by the BOG is temporary to fill the gaps that arise due to turnover of trainers. The requirement is raised by academic heads of departments.

Committee Observation

1299. The Committee observes that the institution failed to comply with Section 37 of the Public Service Commission Act, 2017, which makes proviso for application and advertisement of vacancies that occur in any public institution.

Committee Recommendation

1300. The Committee reprimands the Accounting Officer and directs that the management adheres to Section 37 of the Public Service Commission Act, 2017.

16.1.23 Lack of an approved IT security policy

1301. Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security

across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

Management Response

1302. The institute now has an approved ICT Policy.

Committee Observation

1303. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the policy was availed.

Committee Recommendation

1304. The query is resolved and the Committee makes no further recommendation.

16.1.24 Weakness in internal controls over operations

1305. The following anomalies were noted regarding enforcement of internal controls designed for ensuring effective administration of public funds:

- i. Bank reconciliation statements are not checked by a senior officer as provided for in the Public Finance Management Act, 2012. The accuracy of the reconciliations is therefore, not be verified.
- ii. There was inadequate segregation of responsibilities in the accounting department. Officers involved in verification and approval of payments also performed the duties of cashiers.
- iii. Although the Institute has a finance manual, the Finance department appear to have discarded it in its operations, including staffing, duties, responsibilities approval and authorization of transactions
- iv. Management did not carry out stock take exercise as at 30 June 2020 despite having stocks in store.
- v. The revenue collection system in place is limit data availability to the current period only, hence not possible for the audit to confirm the transactions and events that occurred in the previous year including the fees collected and/or the number of students who were in session.

1306. The absence of these internal controls, may lead to inefficient operations, errors, noncompliance with laws and regulations and the Institute's assets are prone to fraud and loss.

Management Response

1307. The management has enforced various controls to improve its processes by ensuring that:

- i. Bank reconciliation statements are checked by the finance officer after preparation by the accountant
- ii. There is adequate segregation of duties in the accounting department. The officer who prepares payments is not involved in cashiering. There are different personnel who perform various duties.
- iii. The ERP system that is in place is able to generate current data as well as confirm transactions for previous accounting periods.

Committee Observation

1308. The Committee observes that the variances noted in the Financial Statements could be attributed to the existence of the weak internal controls.

Committee Recommendation

1309. The Committee recommends that the management puts in place adequate measures to strengthen the Institution's internal control systems.

16.1.25 Unclear corporate governance roles

1310. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendations on the same.

16.1.26 Composition of the board of governors

1311. The Institute's Board of Governors does not include a member representing County Government of Kiambu. As such, the composition of the membership of the Board did not meet the requirements of Section 2(c) of the second schedule for Technical and Vocational Education and Training Act, 2013 which requires county government be represented in the Board of Governors. The Board of Governors is not therefore lawfully constituted.

Management Response

1312. A letter that had been written to the Ministry of Education requesting for a member representing the County Government of Kiambu.

Committee Observation

1313. The committee observes that the matter has been resolved as the County Government of Kiambu nominated a representative to the board of governors.

Committee Recommendation

1314. The matter is resolved and the committee makes no further recommendations.

16.1.27 Non-compliance with e-procurement

1315. Review of the procurement process revealed that the institute had not fully embraced the e-procurement of goods and services in accordance with Executive Order No.6 of 2015. Further, although advertisements, purchase requisitions, processing of local purchase orders and the goods received notes were done in the management information system, other procurement functions such as tender opening, evaluation and eventual award of tenders, quotations or proposals to the winning bidder are done outside the system. Further, the system lacked audit trails, and any employee with access credentials could alter the tender document details in the system and delete, replace, or modify tender documents and information without trace or controls.

Management Response

1316. The institute is compliant with e-procurement since a user is able to raise a Specification of Requirement (SoR), purchase requisitions and processing of local purchase orders and goods received notes through the ERP system.
1317. The users are also able to track on the status of their requests. Therefore, the institute is compliant with e-procurement.

Committee Observation

1318. The Committee observes that the Institute is yet to comply with the Executive Order No. 6 of 2015 that requires all State Corporation to migrate to the e-procurement platform developed by the National Treasury.

Committee Recommendation

1319. The Committee recommends that the management complies with the requirements under the Executive Order No. 6 of 2015 to enhance transparency and accountability in procurement processes.

Audited statements for Financial Year 2020/21

16.1.28 Inaccuracies in financial statements - unexplained variances

1320. The statement of financial performance for the year under review and corresponding note 5 indicate that expenditure on use of goods and services amount to Kshs.78,163,000. However, supporting schedules in support of five (5) items under use of goods and services, provided for audit revealed variances that have not been explained. The details are as indicated in the table below: -

Component	Amount (Kshs)
-----------	---------------

	Financial Statements	Ledger	Variance
Use of Goods and Services			
Office Expenses	1,247,194.00	1,247,394.00	200.00
Water	2,282,266.00	2,942,256.90	659,990.90
Office Printing and stationery	2,805,154.00	2,806,594.00	1,440.00
Baking Unit	729,150.00	783,070.00	53,920.00
Seminar Food & Boarding and staff Honoraria	863,433.00	658,415.00	205,000.00
Trade and Other payables from Exchange Transactions			
Trade and Other payables from Exchange Transactions	1,341,337	738,881	602,456
Refundable deposits from Customers			
Student Council	6,654,031	3,323,832	3,330,199
Repairs and Maintenance			
Repairs and Maintenance	50,780,646	50,784,346	(3,700)

Management Response

1321. Office expenses was adjusted for by office and meeting expenses income of Ksh 200.
1322. Water expenses was adjusted for water and related income of ksh 659,990.90.

1323. Office and printing stationery was adjusted for by office printing and stationery income of Ksh 1,440.
1324. Baking Unit expenses was adjusted for baking unit income of Ksh 53,920.
1325. The fee structure set up in the system for some courses was reflected as student council and student's council, totaling to Ksh 6,654,031.
1326. The variance of Ksh 3,700 was as a result of adjustment of vehicle maintenance income.

Committee Observation

1327. The Committee observes that the management has failed to reconcile the variances as asserted in the report by the Office of the Auditor General.

Committee Recommendation

1328. The Committee recommends that the Accounting Officer complies with Section 68 (2)(1) of the PFM Act, 2012 which requires that an Accounting Officer takes appropriate measures to resolve any issues arising from audit which may remain outstanding.

16.1.29 Unsupported and unreconciled cash and cash equivalents

1329. The statement of financial position and the corresponding disclosure Note 13 to the financial statements reflects a balance of Ksh 161, 936,393 as at 30 June 2021. However the balance was not supported with bank statements, bank reconciliation statements and certificate of bank balances

Management Response

1330. Bank statements, bank reconciliation statements and certificate of bank balances for the various bank accounts have been availed.

Committee Observation

1331. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management's response as the institution was now compliant.

Committee Recommendation

1332. The Committee makes no further recommendations as the matter stands resolved.

16.1.30 Outstanding receivable from exchange transactions

1333. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

16.1.31 Lack of ownership documents and unsupported plant, property and equipment balances

1334. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation.

16.1.32 Budgetary control and performance

1335. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.304, 084,100 and Kshs.288,885,550 respectively, resulting to an underfunding amounting to Kshs.112,814,250 or 37% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.291,271,250 and Kshs.221,496,493 respectively, resulting to an underperformance amounting to Kshs.69,774,757 or 23% of the budget.
1336. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1337. The institute does quarterly monitoring of budget performance in order to track revenue and expenditure. The institute also does budgetary review.

Committee Observation

1338. The Committee observed that despite exchequer receipt delays, the institute ought to have made periodic budget reviews through supplementary budgets.

Committee Recommendation

1339. The Committee recommends that the Accounting Officer henceforth does quarterly budget reviews to reflect financial realities, through supplementary budgets.

16.1.33 Irregular payment of employee costs

1340. The statement of financial performance and corresponding disclosure Note 8 to the financial statements indicates that the Institute spent a total of Kshs. 51,728,557 in respect of employee costs. Review of employees records and the payroll indicated that non- teaching staff and Management were paid extraneous allowances amounting to Kshs.1,168,250 and Kshs.3,780,500, respectively. However, there was no evidence to support the assignment of extra responsibilities to the officers in addition to their normal duties. In addition, the Institute did not provide an approved staff establishment. It was therefore not clear the criteria used in staff recruitment including number to be appointed, placement, promotion and compensation.

The master data from payroll indicating the staff names, identification numbers, tax pin, gender, date of birth, ethnicity and date of employment was not provided for audit.

1341. In the circumstances, the propriety and validity of the expenditure of Kshs.4,948,750 could not be confirmed

Management Response

1342. The responsibility allowance is paid to employees assigned managerial responsibilities, the amounts paid were approved by the board and is budgeted for annually.

Committee Observation

1343. The Committee observes that the management has failed to provide relevant documentation to explain the payment of extraneous allowances. Further, that the staff establishment provided for audit could not be authenticated.

Committee Recommendation

1344. The Committee recommends that the Accounting Officer to recover the Ksh. 4,948,750 from the relevant beneficiaries within one (1) year following adoption of this report by the House.

16.1.34 Irregular expenditure- repairs and maintenance

1345. The statement of financial performance and corresponding disclosure Note 11 to the financial statements reflects repairs and maintenance expenditure of Kshs.50,780,646. Review of the records revealed that the Institute did not tender for the works and services as required. In addition, the cost of repairs and the specifications required could not be confirmed in the absence of Bills of Quantities, project files, project implementation status reports and Inspection and Acceptance Committee Reports.

1346. As a result, the propriety and validity of the expenditures of Kshs.50,780,646 incurred on repairs and maintenance could not be confirmed.

Management Response

1347. The repairs and maintenance were done in preparedness for reopening of institutions during the Covid season in 2020/2021. There were restrictions on physical meetings.
1348. Currently the Institute tenders for works and services after bills of quantities for various projects are done. Committees for tender opening, evaluation and project implementation are appointed.

Committee Observation

1349. The Committee observes that the management violated provisions of Section 223(1)(d) of the Public Procurement and Asset Disposal Regulations, 2020 on breach of procurement requirements of any works instituted by a public entity.

Committee Recommendation

1350. The Committee recommends that the EACC and the DCI investigate on the apparent breach of Article 227(1) of the Constitution of Kenya and Section 223(1)(d) of the Public Procurement and Asset Disposal Regulations, 2020 on procurement of public goods and services.

16.1.35 Delayed implementation of ERP system

1351. The statement of financial position and corresponding disclosure Note 18 to the financial statements reflects a balance of Kshs.9,896,000 in respect of intangible assets. The procurement of the services for upgrading of Enterprise Resource Planning (ERP) system was done through open tender which was advertised in local daily newspapers. The tender was opened on 20 February, 2020 and 4 (four) bidders responded. Evaluation was done and the tender awarded at cost of Kshs.14,036,000. However, the upgrading of the system has not been completed and some modules have not been upgraded while others have been partially done. The consultant has been paid an amount of Kshs.9,600,000 which translates to 68% of the contract price. In addition, the performance guarantee provided by the consultant lapsed on 11 March, 2022. At the time of this audit, the consultant was not on site.
1352. In the circumstances, the value for money for the payment of Kshs.9,896,000 could not be confirmed.

Management Response

1353. The upgrading of the system is now complete and the contract closed.

Committee Observation

1354. The Committee observes that the matter had been resolved as the Auditor-General confirmed the upgrade of the Enterprise Resource Planning (ERP) system.

Committee Recommendation

1355. The Committee makes no further recommendations as the matter stands resolved.

17.0 GATUNDU SOUTH TECHNICAL AND VOCATIONAL COLLEGE

1356. Mr. Samuel Mwangi, Principal, appeared before the Committee to adduce evidence on the audited accounts of Gatundu South Technical and Vocational College, on 5th July 2023.

Audited statements for Financial Years 2018/19 and 2019/20

1357. The Committee observed that the institution was not audited in the subject financial years having been newly established.

Audited statements for Financial Years 2020/21

17.1.1 Unconfirmed balances

1358. The statement of changes in net assets reflects prior year adjustments amount of negative Kshs.731,195 which comprises of bank balance of Kshs.283,195, salary advance of Kshs. 5,000, fees prepayments of Kshs.115,800 and operations expenses of Kshs.903,590 relating to transactions that occurred in the previous year. Further, the statement reflects a balance of Kshs. 1,915,800 in respect of furniture bought in the previous year. However, Management did not prepare financial statements for the year ended 30 June, 2020 and supporting documents for the prior year adjustments were not provided.

1359. In the circumstances, the accuracy and completeness of the prior year adjustments amount of Kshs.731,195 and furniture additions balance of Kshs. 1,915,800 could not be confirmed.

Management Response

1360. The amount of Negative Kshs 731,195 includes:

- i) Kshs 283,195 as opening bank balance as per bank balance certificate filed
- ii) Kshs 5000 was balance of kshs. 10,000 advanced to a trainer who had not been paid for 5 months by PSC as per the filed letter
- iii) Kshs 115,800 as prepayment for previous year as scheduled in soft copy in excel format for Accounts for the Year ended 30th June 2021 has been provided.
- iv) Kshs903,590 as operation expenses incurred by KIST on behalf of the college as per the filed Schedule.

1361. The college did not submit financial statements for FY2019/2020 which was its first year of operations due to lack of capacity. The college was in the process of establishing the basic processes and procedures to facilitate operations. However, the balances were as stated as confirmed by the copy of bank certificate and scanned cashbook page filed.

Committee Observation

1362. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1363. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.2 Property, plant and equipment

1364. The statement of financial position reflects property, plant and equipment balance of Kshs.182,058,052 as disclosed also in Note 10 to the financial statements. However, the balance excludes undetermined value of land belonging to the institution which includes three parcels of land at Ngenda/Githunguchu block whose ownership documents are in the name of defunct Thika County Council. Although the Management has indicated that they have initiated the land transfer process, no documentary evidence to support steps taken was provided. Further, physical verification of the land revealed that private developers had occupied two of the parcels of land.
1365. In addition, review of fixed asset register provided for audit revealed, that the register did not include details dates of purchase, description of assets including model and serial numbers, cost, specific location, asset number, responsible official, class, category of assets and the asset condition. The assets were also not coded or tagged for ease of identification and tracking contrary to The National Treasury Circular and template, No. 5/2020 dated 25th February, 2020.
1366. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.182,058,052 could not be confirmed.

Management Response

1367. The College could not have undertaken valuation of the parcels of land since the issue of occupation and ownership has not been resolved. The Management is working with the relevant authorities to have the issues resolved. Once resolved we shall value the land and incorporate the value in the books.
1368. The College assets have been tagged and the Management has planned to have the College assets valued in order to have an asset register that shall comply with the stipulations of the National Treasury circular and template. The College could not have undertaken the exercise due budgetary constraints.

Committee Observation

1369. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1370. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.3 Understatement of revenue

1371. The statement of financial performance reflects revenue from exchange transactions amounting to Kshs. 5,628,650 as disclosed in Note 2 to the financial statements. However, review of documents provided for audit revealed that student invoices amounting to Kshs. 668,030 were not included in the revenue for the year hence understating the revenue by the same amount.

1372. In the circumstances, the accuracy and completeness of revenue amounting to Kshs. 5,628,650 could not be confirmed.

Management Response

1373. From the documents provided for audit, the said invoices had been invoiced and included in the revenues from exchange transactions. Please refer to the documents provided.

1374. The correct value of transfers from National government was kshs 5,100,000. We acknowledge an error in the management discussions section where the amount reported is 5,010,000 instead of kshs 5,100,000;

First quarter capitation for 170 students (36 not funded) =	Kshs 1,275,000.00
Second quarter capitation for 170 students (36 not funded) =	Kshs 1,275,000.00
Third quarter capitation for 135 students (71 not funded) =	Kshs 1,012,500.00
	Kshs. 3,562,500.00
Add: Capitation for 5 students for FY2019/20	= Kshs. 37,500.00
	= Kshs. 3,600,000.00
Add: Operations Grant for Q1,2&3 FY2020/21	= Kshs. 1,500,000.00
	Kshs. 5,100,000.00

Committee Observations

1375. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1376. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.4 Unsupported accounts receivables

1377. The statement of financial position and corresponding Note 9 to the financial statements reflects receivables balance of Kshs. 3,890,890. However, the debtor's ledger and ageing

analysis to support the balance was not provided for audit review. In addition, the College does not have a Debt Management Policy.

1378. In the circumstances, the accuracy and completeness of receivable balance of Kshs.3,890,890 could not be confirmed.

Management Response

1379. The debtor's ledger is in excel format has been shared and an excerpt filed attached for your consideration.
1380. The College was in the process of establishing structures and the Management has made progress in formulating a comprehensive Finance policy and procedures which shall cover areas including Fees collection and debt management policies in the next subsequent financial year. A draft copy has been filed.

Committee Observation

1381. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1382. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.5 Non-remittance of statutory deductions

1383. The Statement of financial performance reflects employee costs amounting to Kshs. 1,378,424 which includes contributions to National Social Security Fund (NSSF) amounting to Kshs.15,874. However, review of the payroll provided for audit showed that contributions to NSSF amounted to Kshs.23,760 resulting to an unreconciled variance of Kshs.7,886. In addition, the College did not remit NSSF deducted from employees for the months of July, 2020 to February, 2021 amounting to Kshs. 15,840.
1384. In the circumstances, the accuracy and completeness of contributions to National Social Security Fund expense of Kshs.13,874 could not be confirmed.

Management Response

1385. The effective date for remitting NSSF was February 2021, the contributions for July 2020 to February 2021 had not been remitted due to delays in the registration process with the National Social Security Fund. The college managed to be registered in the month of February 2021 and the effective date of the contributions was February 2021 thus Management could not have deducted and remitted the contributions.
1386. The registration certificate and letter indicating the effective date has been filed.

Committee Observation

1387. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1388. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.6 Unsupported expenses

1389. The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.5,367,593 which includes an amount of Kshs.51,190 in respect of telephone, postage and airtime expenses as disclosed in Note 3 to the financial statements. Review of the documents provided for audit revealed that the payments were paid to staff as airtime allowances. However, the payments were not backed by any policy approved by the Board and the criteria used to allocate the airtime was not defined. Further, the balance includes an amount of Kshs. 635,000 in respect of travelling and subsistence allowances. However, the imprest register, imprest warrants and approvals for use of private means of transport were not provided for audit.

1390. In the circumstances, the accuracy and regularity of the expenditure totalling Kshs. 686,190 incurred on airtime and travel allowances could not be confirmed.

Management Response

1391. The telephone expenses were budgeted for in the annual budget at Kshs. 282,000 which was approved by the Board. Further the allowances were passed by the board and minuted. A copy of the minutes of BOG meeting held on 6th February 2020, Min. 3/2/2020 has been provided.

1392. Further we had not implemented the use of imprest warrants. The supporting documents were the invitations and evidence of travel in form of bus ticket as well as attendance lists attached to the payment vouchers. The college has put measures in place in the current financial year. The BOG had approved rates through Min. 3/2/2020 filed.

Committee Observation

1393. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1394. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.7 Budgetary control and performance

1395. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.13,344,000 and Kshs.10,728,650, respectively, resulting to an underfunding of Kshs.2,615,350 or 20% of the budget. Similarly, the College spent Kshs. 7,822,786 against an approved budget of Kshs. 13,344,000 resulting to an under expenditure of Kshs. 5,521,214 or 41% of the budget.
1396. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

1397. The underfunding is as a result of unfunded trainees by the government for capitation and also fees arrears. The figure of 206 trainees would have realized the budgeted revenue if all had paid the required fees and all had received capitation. However, some were not validated by KUCCPS to be eligible for capitation hence the deficit. The list of trainees has been availed in soft copy for consideration.

Committee Observations

1398. The Committee observes that –
- i. late or non-receipt of exchequer impacted budgetary performance negatively.
 - ii. the Institution heavily relies on capitation which has not been forthcoming as anticipated.

Committee Recommendations

1399. The Committee recommends that –
- i. the Accounting Officer henceforth reviews budgets quarterly to reflect realities, through supplementary budgets.
 - ii. the Institution develops other income generating activities to increase their cashflow so as not to depend on government funding only.

17.1.8 Non-submission of financial statements

1400. The College started its operations in the financial year 2019/2020. However, Management did not prepare and submit financial statements for the year 2019/2020 to the office of the Auditor-General for audit. This is contrary to section 47(1) of the Public Audit Act, 2015 which provides that the financial statements required under the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.
1401. In the circumstances, Management was in breach of the law.

Management Response

1402. The College did not have the requisite capacity since there was no established accounts department being the first year of its existence. The College had limited personnel since it

had just started and there were budgetary constraints that could not allow the college to establish systems as fast as required.

Committee Observation

1403. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1404. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.9 Unsupported remuneration of board of directors

1405. The statement of financial performance reflects Board of Governors' expenses amounting to Kshs.457,609 as disclosed in Note 5 to the financial statements. Included in the balance is Kshs.107,000 paid as sitting allowances to the Chairman of the Board of Governors for meetings that were not in the approved calendar of meetings. In addition, the approved rates for payment of allowances to the Board of Governors, the minutes of the meetings and signed attendance registers were not provided for audit verification.

1406. In the circumstances, the validity and regularity of the sitting allowances amounting to Kshs.107,000 paid to the Chairman of the Board of Governors could not be confirmed.

Management Response

1407. The remuneration was in form of transport reimbursement for the chairman for attending meetings on issues that emerge in the course of college operations and requires attention before full board meeting. The chairman also attended meeting requiring his presence outside the college. In addition, the chairman attended meetings to plan the agenda for full board meetings where the agenda cannot be discussed on telephone. Copies of the minutes have been filed for review and the reimbursements have been fully supported.

Committee Observation

1408. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1409. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.10 Irregular hiring of casual employees

1410. The statement of financial performance reflects employee costs expenditure amounting to Kshs.1,380,404 which includes wages amounting to Kshs.506,800 as disclosed in Note 4 to the financial statements. However, contract documents for the casual employees showing

terms of the engagement were not provided for audit. Further, needs assessment and staff rationalization report showing the department with vacancies or shortage to justify the need for hiring of casual employees was not provided for audit verification.

1411. In the circumstances, the value for money obtained in the hiring of the casual employees could not be confirmed.

Management Response

1412. The college engages trainers on temporary basis since the Public Service Commission is responsible for posting of trainers. However, the posting has not always addressed the areas with shortages. In the FY2020/21 the college engaged trainers as interns or on part time basis. The interns are paid a stipend not exceeding 15,000 excluding transport of Kshs. 1,000 while part time trainers are paid per the sessions per week as wages each session not exceeding Kshs. 400. The trainers are engaged on need basis and in some cases as a matter of urgency when a given course attracts trainees in situations where it was not anticipated. In addition, due to the hands on nature of some of the courses such as plumbing and hairdressing, the college results in engaging part time trainers since it's hard to get fulltime trainers. Also in situations where the full time trainer is available the college cannot afford the remuneration. The minutes of the meeting held on 13th November, 2019 during the Board inauguration have Min. 2/11/2019 (d) for reference on the approved rates and terms of engagement for the temporary employees.

1413. The contract letters and requisitions have been filed.

Committee Observation

1414. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and the approved rates and letters of offer were availed and verified.

Committee Recommendation

1415. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.11 Lack of ethnic diversity

1416. Review of the employee's records provided by the Management revealed that all the eleven employees were from the dominant ethnic community of the local area. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act 2008 which requires that all public establishments reflect the diversity of the people of Kenya.

1417. In the circumstances, Management was in breach of the law.

Management Response

1418. The college is located in an area predominantly occupied by members of one community. Three (3) out of the four (4) office staff are from one community. Further, the college is

unable to offer attractive remuneration due to limited finances. This discourages people from far and favours the locals who will have an advantage of residing in their homes as opposed to renting houses.

1419. For the training staff the overall distribution in regard to the PSC and BOG staff is fair as evidenced by the filed list.

Committee Observation

1420. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

1421. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments.

17.1.12 Weak inventory management

1422. During the year under review the college procured various stores items in respect to tuition materials. However, inventory records including bin cards to confirm whether all inventory purchased was received and taken on charge in the stores were not provided for audit. In addition, inventory balances were not disclosed in the financial statements and the college did not conduct quarterly and annual inventory and stock taking which is contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015.
1423. Failure to conduct regular and annual inventory count increases the risk of loss and obsolescence of store items.

Management Response

1424. The College has hired a procurement officer and also the MIS module on inventory will be operationalized.

Committee Observation

1425. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1426. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.13 Lack of finance management system and admission policy and procedures

1427. Review of documents provided for audit revealed that Management did not have an Integrated Finance Management System that has modules for admissions, student register, invoicing, fees collection and generation of reports. Further, Management did not have

admissions and procedures policy to guide admissions and other procedures relating to admissions which is contrary to Section 109. (1) of the Public Finance Management, (National Governments) Regulations 2015.

1428. Failure to automate operations may lead to loss of data and misstatement of the financial statements.

Management Response

1429. The college has embarked on installing Management Information System that will have the finance and admission modules in the FY 2021/2022. The college has also developed an academic policy and admission procedures which will take effect in the current financial year.

Committee Observation

1430. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and the now availed finance and admissions procedures manuals.

Committee Recommendation

1431. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.14 Lack of internal audit function and audit committee

1432. During the year under review, it was observed that Management did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness through in-depth reviews of management operations and internal controls in the College. Similarly, it was observed that the College did not have an audit committee to oversee the development, performance and effectiveness of internal control over financial reporting, performance reporting and compliance with laws and regulations. This is contrary to the provisions of Section 73(1) and (5) of the Public Finance Management Act, 2012.

1433. In the circumstances there was no mechanism in place to oversight over Management activities.

Management Response

1434. The college has made a resolution to engage an internal auditor from another TVET institution as per the minutes of the Board. The College has also established the Audit, Risk and Compliance committee of the board

Committee Observation

1435. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and the now availed board minutes.

Committee Recommendation

1436. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.15 Lack of policy documents

1437. During the year under review, it was observed that the Management did not have in place a disaster recovery plan/ business continuity plan. In the absence of a Disaster Recovery and Business Continuity Plan, the College lacks a blue print for identifying, preventing and militating against disasters and ensuring that its operations are not interrupted.
1438. Further, review of the ICT environment showed that there was no approved ICT Policy, approved IT Strategic Committee and Information Technology Continuity Plan in place to enable the Institute to manage business processes for the delivery of services to the public in an effective and efficient manner.
1439. In the circumstances, failure to have relevant policies in place may affect the effectiveness of the operations of the College.

Management Response

1440. The Management has developed a Disaster Recovery and Continuity Plan as documented in the Strategic Plan.
1441. The Management has formulated the ICT Policy. Further, has backed information on google drive, installed antiviruses and has budgeted for a generator in the FY2022/23.

Committee Observation

1442. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response and the now availed policy documents.

Committee Recommendation

1443. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

17.1.16 Understaffing of teaching and non-teaching staff

1444. Review of the approved staff establishment showed that there was shortage of both teaching and non-teaching staff. Out of the 59 positions required for teaching staff and 42 positions required for non-teaching staff, only 21 positions and 3 positions for teaching and non-teaching staff respectively were occupied. Further, it was observed that critical positions for Internal Auditor and Human Resource Officer were not occupied. This is contrary to Section 18 of the Technical and Vocational Education and Training Act No 29 of 2013.
1445. In the circumstances, the understaffing may affect the Colleges ability to achieve its mandate.

Management Response

1446. The college is understaffed due to inadequate resources to recruit the optimal staff required. The Ministry of Education has committed to employ more training staff while the College has engaged a qualified Finance Officer and Procurement Officer.
1447. The college engages the support of other TVET institutions as a stop gap measure in technical areas to ensure service delivery is not affected.

Committee Observation

1448. The Committee observes that this could be an issue beyond the Institution and more on the Ministry.

Committee Recommendation

1449. The Committee recommends that the Ministry of Education helps counter this issue by employing more staff to the institution so that they can be able to carry out their basic mandate effectively.

18.0 KIPIPIRI TECHNICAL AND VOCATIONAL COLLEGE

1450. Mr. Alexander Maina Mwangi, Principal, accompanied by the Finance Officer, appeared before the Committee to adduce evidence on the audited accounts of Kipipiri Technical and Vocational College, on 5th July 2023.

Audited statements for Financial Years 2018/19

18.1.1 Unexplained variances in the financial statements

1451. The balances reflected in the statement of financial performance in respect of receipts under Rendering Services – Fees from students and other Payments differed with the balances reflected in the statement of cash flow as shown below: -

Component	Statement of Cash flows (Kshs)	Statement of Financial Performance (Kshs)	Variance (Kshs.)
Rendering Services – Fees from students	2,689,940	3,273,117	(583,117)
Other Payments	2,560,650	0	2,560,650
Total	5,250,390	3,273,117	1,977,473

1452. The net difference of Ksh. 1,977,473 between the two sets of records have not been explained or reconciled.

1453. Consequently, the accuracy and completeness of the reported balances in the financial statements for the period ended 30th June, 2019 could not be confirmed.

Management Response

1454. This was as a result of posting errors. The correct figures as supported by the ledgers are as per the statement of financial performance. The correct figures were amended in the submitted annual report and financial statements for the year ended 30th June 2020.

Committee Observation

1455. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1456. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.2 Unreconciled transfers from national government variance

1457. The statement of financial performance reflects transfers from National Government grants / gifts in kind of Ksh. 3,795,000. However, the balance differs with an amount of Kshs. 3,544,192 reflected in records maintained by the State Department of Vocational and Technical Training. The variance of Kshs. 250,808 between the financial statements and the parent Ministry had not been reconciled.

1458. As a result, the accuracy and completeness of the transfers from National Government-grants / gifts in kind of Ksh. 3,795,000 for the period ended 30 June, 2019 could not be confirmed.

Management Response

1459. The amounts received from the ministry for the period was not verifiable. The only traceable amount from the bank statements was Kshs 2,795,000. The remaining Ksh 1,000,000 is assumed to have been paid through the mentoring Institution but nothing was available to verify.

Committee Observation

1460. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1461. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.3 Unsupported donated equipment

1462. The statement of financial position reflects Property, Plant and Equipment balance of Kshs. 140,281,900 which as disclosed in Note 18 of the financial statements includes an amount of Ksh. 84,614,400 for plant and equipment donated by the Ministry through a bilateral contract agreement with Peoples Republic of China dated 25 May, 2016. However, the assets have not been determined by a professional valuer. Further, Appendix III to the financial statements on list of fixed assets donated by the Ministry do not have values attached.
1463. Consequently, the accuracy and fair statement of the property, plant and equipment balance as at 30 June, 2019 could not be confirmed.

Management Response

1464. The Ministry of Education delivered equipment to one hundred and forty four (144) TVET institutions under the Kenya / China TVET project phase II where the contractor was AVIC International Holding Corporation.
1465. As this was a Government-to-Government contract, there were no prices availed. Later on we received a single amount from the Ministry of Education of the cost of equipment in USD.

Committee Observation

1466. The Committee observed that the institution had written to the State Department for Public Works for valuation of the equipment.

Committee Recommendation

1467. The Committee recommends that the Accounting Officer intensifies efforts to have the equipment valued, within one month of adoption of this report.

18.1.4 Discrepancy on depreciation charge

1468. The statement of financial performance reflects depreciation and amortization expense of Ksh. 23,186,000 which differs with the depreciation schedule figures of Ksh. 1,366,649. The variance of Ksh. 2,819,451 was not explained or reconciled.

1469. Consequently, the accuracy and completeness of the depreciation and amortization expense for the period ended 30 June, 2019 could not be confirmed.

Management Response

1470. The donated equipment had not been valued. The depreciation for the donated equipment was estimated based on the fair market value to 23,186,000. However, the depreciation figure of Ksh. 1,366,649 was for the assets purchased by the institution.

Committee Observation

1471. The Committee observed that the depreciation was related to the equipment discussed in the immediate query above.

Committee Recommendation

1472. The Committee recommends that the Accounting Officer reconciles the depreciation charge within one week of valuation of equipment referred to above.

18.1.5 Budget control and performance

1473. The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Ksh. 8,463,000 and Ksh. 7,168,117 respectively resulting to underperformance of Ksh. 1,294,883 or 15% of the budget. Similarly, the college expended Ksh. 5,147,250 against an approved budget of Ksh. 7,608,000 resulting to an overall under expenditure of Ksh. 2,460,750 or 32% of the budget.

1474. The underperformance affected on the planned activities which may have impacted negatively on service delivery for the public.

Management Response

1475. The budget was prepared with expectation of recurrent grants from the State department for Vocational and Technical Training that was not obtained.

Committee Observation

1476. The Committee observed that the institution had by then lacked capacity in its finance and accounting functions.

Committee Recommendation

1477. The Committee recommends that the Accounting Officer ensures periodic review of its budget to align to realities.

18.1.6 Lack of risk management policy

1478. During the year under review, the College did not have a risk management strategy contrary to Circular No 3/2009 of 23rd February 2009 which requires accounting officers to develop risk management strategies, including fraud prevention mechanism and internal control that builds robust business operations. Under the circumstances the adequacy and effectiveness of the risk management strategies and controls put in place could not be established.

Management Response

1479. The management has a risk management policy in draft awaiting ratification by the Board of Governors.

Committee Observation

1480. The Committee observed that the policy had now been ratified by the board on 26th June 2023.

Committee Recommendation

1481. The Committee recommends that the matter be closed.

18.1.7 Lack of internal audit function and audit committee

1482. The college operated without an internal audit function and audit committee in place during the year under review.

1483. In the absence of internal audit and audit committee, review of the effectiveness of internal control, risk management systems, and overall governance processes were not executed which may have hindered the efficient and effective execution of the College activities.

1484. No explanation has been given for failure to have an Internal Audit Function and Audit Committee in place.

Management Response

1485. The management already has an Audit Committee which will come up with Internal Audit Guidelines as required.

Committee Observation

1486. The Committee observed that the internal audit committee was now in place, and was scheduled to develop the guidelines.

Committee Recommendation

1487. The Committee recommends that the internal audit guidelines be ratified by the board within one month of adoption of this report by the House.

Audited statements for Financial Years 2019/20

18.1.8 Inaccuracies in the financial statements

1488. The financial statements figures for eight (8) items that differs with the supporting schedule figures resulting to an unexplained variance of Ksh. 7,569,000 as detailed below:

Details	Financial Statements Note	Amount as Per the Financial Statements (Kshs)	Amount as Per the Ledgers (Kshs)	Variance (Kshs)
Activity fees	9	252,590	235,100	17,490
Performance Contracting	9	336,300	317,300	19,000
Printing and stationery	9	334,090	353,090	(19,000)
Employee Costs	10	1,606,418	1,714,418	(108,000)
Repairs and Maintenance	13	0	34,500	(34,500)
Rendering Services – Fees from students	7	4,679,192	0	4,679,192
Receivables from exchange transactions	15	1,958,180	0	1,958,180
Trade payables from exchange transactions – Payments received in advance	17	1,056,638	0	1,056,638
Total		10,223,408	2,654,408	7,569,000

1489. Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

Management Response

1490. This was as a result of errors of omission. The correct figures as supported by the ledgers are as per the statement of financial performance. The accounts were amended as reflected in the annual report and financial statements for the year ended June 2021.

Committee Observation

1491. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1492. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.9 Inaccurate comparative figures

1493. The Comparative figures in the financial statements for six (6) items differs from the previous year's audited figures resulting to a variance totaling to Ksh. (72,213,123) as detailed below:

Item	Financial Statements (Kshs)	Audited Financial Statement 2018 -2019	Variance (Ksh)
Rendering of services	3,272,117	3,273,117	(1,000)
Cash and Cash Equivalent	1,674,045	1,675,605	(1,560)
Accumulated Surplus	140,281,900	21,165,233	119,116,667
Capital Grants	2,504,621	163,950,194	(161,445,573)
Development account (Note 20)	1,560	0	1,560
Donations in kind (Note 20)	133,584,783	163,468,000	29,883,217
	281,319,026	353,532,149	(72,213,123)

1494. In the circumstance, the accuracy and completeness of the above comparative figures for the year ended 30 June 2020 could not be confirmed.

Management Response

1495. These were as a result of errors that management owns up. The management has set up Internal control mechanisms to avoid statements are free from errors.

Committee Observation

1496. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1497. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.10 Discrepancy in Notes to the financial statements

1498. Note 17 to the financial statements as at 30 June 2020 reflects trade and other payables from exchange transactions (fees paid in advance) amounting to Kshs. 665,980 whereas Note 19 on liquidity risk management reflects fees paid in advance of Ksh. 1,056,638 resulting to a variance of Ksh. 390,658.
1499. In the circumstance the accuracy and completeness of the fees paid in advance amounting to Ksh. 665,980 as at 30 June 2020 could not be confirmed.

Management Response

1500. These were as a result of errors that management owns up. The management has set up Internal control mechanisms to avoid statements are free from errors.

Committee Observation

1501. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1502. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.11 Unsupported property, plant and equipment

1503. Included in the property, plant and equipment balance of Kshs. 133,584,783 and as disclosed in Note 6 to the financial statements are equipment, furniture and computer accessories donated by the Ministry of Education through China bilateral contract agreement dated 25 May 2016. However, the assets have been valued by a professional valuer and carry an estimated value of Ksh. 80,000,000 in the books. Further, the property, plant equipment includes a balance of Ksh. 12,000,000 in respect of land value of whose ownership and valuation could not be established as the title deed and valuation report were not made available for audit review.
1504. In the circumstances, the accuracy and fair statement of the property, plant and equipment balance of Ksh. 133,584,783 as at 30 June 2020 could not be confirmed.

Management Response

1505. The Ministry of Education delivered equipment to one hundred and forty four (144) TVET institutions under the Kenya /China TVET project phase II where the contractor was AVIC International Holdings Corporation.
1506. This was a Government-to-Government contract and thus no prices were forwarded to the TVET institutions.

Committee Observations

1507. The Committee observed that –
- i. the matter of equipment donated by the Ministry of Education had been tackled in the previous financial year;
 - ii. the ownership of the Kshs. 12,000,000 of land was outstanding.

Committee Recommendation

1508. The Committee recommends that the Accounting Officer expedites the processing of the title of the land and its valuation within three months of adoption of this report by the House.

18.1.12 Unsupported bank balances

1509. The statement of financial position reflects bank balance of Ksh. 3,026,976 for three (3) bank accounts as disclosed in Note 14 to the financial statements. However, the reported balances were not supported by bank reconciliation statements and cashbooks.
1510. In the circumstances, the accuracy and completeness of the reported cash and cash equivalents balance of Ksh. 3,026,976 as at 30 June 2020 could not be confirmed.

Management Response

1511. The bank reconciliation was done and bank reconciliation statements submitted.

Committee Observation

1512. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response as the reconciliations and bank statement were verified.

Committee Recommendation

1513. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.13 Errors in accumulated surplus balance

1514. The statement of financial position reflects accumulated surplus balance of Ksh. 3,928,518 as at 30 June 2020. However, summation of the previous year closing deficit balance of

Ksh. 21,165,233 together with the actual deficit for the year of Ksh. 17,273,221 reflected in the statement of financial performance results to an accumulated deficit of Ksh. 38,438,454. The resultant variance of Ksh. 42,366,972 has not been explained.

1515. Consequently, the accuracy and completeness of accumulated surplus balance of Ksh. 3,928,518 as at 30 June 2020 could not be confirmed.

Management Response

1516. These were as a result of errors that management owns up. The management has set up Internal control mechanisms to avoid statements are free from errors.

Committee Observation

1517. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1518. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.14 Late submission of financial statements

1519. The annual report and financial statements for the year ended 30 June 2020 were submitted on 06 November 2020 one (1) and six (6) days late. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.
1520. Under the circumstances, the Fund was in breach of the law.

Management Response

1521. The management had challenges with the adoption of accrual basis of accounting paired with the effects of covid 19 pandemic that left the learning institution closed. The Board of Governance has taken full responsibility and going forward it will ensure that financial statements are concluded and submitted on time.

Committee Observation

1522. The Committee observed that the institution was now compliant as confirmed by auditors in subsequent audits.

Committee Recommendation

1523. The Committee recommends that the matter be closed.

18.1.15 Errors in annual reports and financial statements

1524. The financial statements for the year ended 30 June 2020 presented for audit have the following errors:

- i. The table of contents at page I omits report of the independent auditors on the entity.
- ii. Report of the principal at page x does not highlight key activities, successes or challenges achieved or faced during the reporting period.
- iii. Review of the institution's performance at pages xi – xii does not indicate specific achievements attained during the year against the set key performance indicators.
- iv. The corporate governance statement at page xiv does not disclose the attendance to board meetings held during the year under review or the board of governor's remuneration.
- v. The statement of financial position at page 3 is not signed by the chairperson and the finance officer
- vi. Explanation on the statement of financial performance indicates that notes are set out on pages 6 to 20 instead of pages 8 to 23. Similarly, explanation on the statement of financial position indicates that financial statements are set out on pages 1 to 20 instead pages 1 to 23.
- vii. Pagination flow in the report is inconsistent as pages 3 and 7 are omitted.
- viii. Appendix II on Inter Entity Transfers at page 29 has not been signed by the Head of Accounting Unit.
- ix. The statement of changes in net assets at page 4 does not disclose the opening balance as at 1 July 2019 as per the prescribed format by the Public Sector Accounting Standards Board.
- x. Wrong reporting dates are indicated for property, plant and equipment in the net asset movement schedule at page 19.
- xi. Appendix IV on list of fixed assets donated by the ministry has no values attached.

1525. Consequently, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with section 194(i)(d) of the Public Finance Management Act 2012.

Management Response

1526. These were as a result of errors that management owns up. The management has set up Internal control mechanisms to avoid statements are free from errors.

Committee Observation

1527. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1528. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.16 Weak Information Technology controls

1529. In the year under audit, the College had not established an IT strategic plan as well as IT security policy to provide governance on information technology matters including policies on IT continuity plan, subsequently the critical data/information may not be recovered in case a disaster occurs.

1530. Under the circumstances the adequacy and effectiveness of the IT risk management strategies and controls and processes put in place could not be established.

Management Response

1531. The IT policy had now been approved by the board on 26th June 2023.

Committee Observation

1532. The Committee observed that the matter had now been resolved as they had availed the board approved policy.

Committee Recommendation

1533. The Committee recommends that the matter be closed.

Audited statements for Financial Years 2020/21

18.1.17 Unsupported expenditure

1534. The statement of financial performance and Note 7 to the financial statements reflect use of goods and services expenditure of Ksh. 5,465,170 which includes an amount of ksh. 1,408,907 for examination and teaching materials of which Ksh. 683,080 was utilized for the payment of examination fees for various students, however the payments were not supported by the list of the benefitting students, their admission numbers, the courses they are undertaking and the cost of exam per programme.

1535. In the circumstances, the property of Ksh. 683,080 on examination and teaching materials could not be confirmed.

Management Response

1536. The list was forwarded to the auditors indicating the student who undertook the exams.

Committee Observation

1537. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1538. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.18 Unsupported property, plant and equipment

1539. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.19 Unsupported trade and other payables from exchange transactions

1540. The statement of financial position and Note 15 to the financial statements reflects trade and other payables from exchange transactions balance of Ksh. 479,225. Included in the amount is payments received in advance of Ksh. 414,020 that relates to school fees paid by students. However, the balance was not supported by fees statement or student creditors control ledger indicating the fees chargeable, actual payment received and the movements thereon to determine the prepayments.

1541. In the circumstance the accuracy and completeness of the trade and other payables from exchange transactions balance of Ksh. 479,225 as at 30 June 2021 could not be confirmed.

Management Response

1542. The excel sheet supporting the fees received in advance was availed.

Committee Observation

1543. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1544. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.20 Inaccurate expenditure

1545. The statement of financial performance and Note 9 to the financial statements reflects an amount of Ksh. 315,000 for remuneration of directors. However, the financial statements expenditure of Ksh. 315,000 differs with the ledger and schedule balance of Ksh. 420,000 leading to an unreconciled variance of Ksh. 105,200. In addition the statement and Note 11 to financial statements reflects an amount of Ksh. 1,318,615 got repairs and maintenance. However, the financial statement balance of Ksh. 1,318,615 differs with the ledger balance of Ksh. 1,414,515 leading to an unreconciled variance of Ksh. 95,900.
1546. In the circumstances, the accuracy and completeness of the total expenditure of Ksh. 1,633,615 for the year ended 30 June 2021 could not be confirmed.

Management Response

1547. Included in the ledgers was Ksh. 105,200 that related to admin expenses. The correct figure for remuneration of directors as verified in the payment vouchers was Ksh. 315,000 as per the excel sheet provided. This means that the expense was understated in the financial statements by Ksh. 11,200. This was corrected via a journal entry.

Committee Observation

1548. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1549. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

18.1.21 Failure to implement IFMIS directive

1550. Review of the college's operational systems and statement of financial performance indicated that the college had total expenses amounting to Ksh. 24,078,299 out of which a total of Ksh. 5,769,586 was in respect various items and services which were procured outside the IFMIS e-procurement module since the management had not implemented Integrated Information System (IFMIS). Further, it was established that the college operates without an approved accounting information system and instead used excel work books to maintain accounting records. Therefore, it had not adhered the Executive order No. 6 of 2016, which required all public entities to employ full use of e-procurement by 01 January 2019.
1551. In the circumstances, Management was in breach of the law.

Management Response

1552. The management was unable to implement this directive due to budgetary constraints.

Committee Observation

1553. The Committee observed that the institution had budgeted for the item in the 2023/24 financial year.

Committee Recommendation

1554. The Committee recommends that the Accounting Officer ensures compliance within three months of adoption of this report by the House.

18.1.22 Lack of an internal audit function

1555. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

18.1.23 Lack of fraud policy

1556. The college does not have in place a fraud management policy during the year under review to assist in detecting and preventing fraud contrary to section 165(1) of the National Government Regulations, 2015 (1) which states that the Accounting Officer shall ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism.

1557. In the circumstances, effectiveness of internal controls and governance could not be confirmed.

Management Response

1558. The policy had now been approved by the board on 26th June 2023.

Committee Observation

1559. The Committee observed that the matter had now been resolved as they had availed the board approved policy.

Committee Recommendation

1560. The Committee recommends that the matter be closed.

19.0 MICHUKI TECHNICAL TRAINING INSTITUTE

1561. Mrs. Anne Mbogo, Principal, accompanied by the Finance Officer, Mr. Odima Bahati appeared before the Committee to adduce evidence on the audited accounts of Michuki Technical Training Institute, on 5th July 2023.

Audited statements for Financial Years 2018/19

19.1.1 Unaudited opening balances and comparative figures

1562. Section 47 of the Public Audit Act, 2015 provides that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. However, Management did not submit financial statements for the year ended 30 June, 2018 and earlier years to the Auditor General for audit. Consequently, the validity, completeness and accuracy of the opening balances of retained earnings and revaluation reserves of Kshs.33,189,205 and Kshs.524,614,000 respectively reflected in the statement of changes in net assets and of the opening cash and cash equivalents balance of Kshs.26,649,419 reflected in the statement of cash flows could not be confirmed. In addition, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

Management Response

1563. The management did not submit prior year financial statements to the auditor general for the financial stamen auditing because the TTIs and TVC were under the district school audit department but not under the office of the auditor general. Furthermore, the financial statements were forwarded for the audit under the school unit department for the auditing. Consequently, the retained earnings and revaluation reserves of Ksh 524,414 and 33,189,205 respective a revaluation was done to determine the exact value of the institution properties as showed by the attached revaluation report. The cash and cash equivalence of Ksh 26,646,419 relates to cash held by the institution in its bank account because the prior year the institution was reporting on cash basis vis a vis the accrual basis. Moreover, cash and cash equivalence of Ksh 28,670,788, a bank reconciliation was done as attached so as to facilitate the completeness and accuracy of the of the cash and bank balances.

Committee Observation

1564. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1565. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.2 Accuracy of property, plant and equipment

1566. The statement of financial position reflects a property, plant and equipment balance of Kshs.497,456,451. However, information available, indicated that the Institute occupied various parcels of land which were not valued or disclosed under property, plant and equipment. Further, no ownership documents were presented for the land occupied by the Institute.
1567. Under the circumstances, the accuracy and completeness of the reported property, plant and equipment balance of Kshs.497,456,451 could not be confirmed. Further, Note 15 to the financial statements gives a schedule of the property, plant and equipment (PPE) giving details of the various assets under the ownership of the Institute. Included in the PPE schedule are furniture and fittings with a net book value indicated as Kshs.13,065,000. However, the re-computed net book value is Kshs.13,993,000 thereby resulting in an unexplained variance of Kshs.928,000. It should however be noted that the total net book value of all the assets of Kshs.497,456,451 is correctly stated and agrees with the statement of financial position balance.

Management Response

1568. The difference of Ksh. 7,912,546 relates to the various PPE that were purchased during the financial year.

Committee Observation

1569. The Committee observed that despite the institute obtaining a 'no-objection' letter from the county and ascertaining the same from the lands search records, the actual ownership document was yet to be obtained.

Committee Recommendation

1570. The Committee recommends that the Accounting Officer expedites processing of the ownership document within three months of adoption of this report.

19.1.3 Erroneous classification, presentation and disclosure of account balances

1571. The statement of financial performance reflects a total expenditure of Kshs.84,985,622 on use of goods and services. Further, disclosure on the expenditure was provided under Note 6 to the financial statements. However, the following anomalies were noted:

- i. The expenditure balance included an amount of Kshs.709,055 which has been described as trade payables. It was not clear why the item was classified as an expenditure instead of a liability.
 - ii. The expenditure included an amount of Kshs.1,920,627 described as savings account expenses. However, the amount was in respect of government grants transferred from the main account to a savings account of the Institute and did not constitute an expenditure.
 - iii. The expenditure included an amount of Kshs.1,100,000 received on behalf of Ndia Technical Training Institute and described as government grant transfer.
 - iv. The expenditure included an amount of Kshs.5,003,134 described as development which was incurred in respect of construction of buildings for the Institute. However, the amount was expensed in the statement of financial performance instead of being recognized as an addition to non-current assets.
1572. Consequently, the accuracy and validity of the Kshs.84,985,622 expenditure in respect of use of goods and services could not be confirmed.

Management Response

1573. This was as a result of posting errors. The correct figures as supported by the ledgers are as per the statement of financial performance. The correct figures were amended in the submitted annual report and financial statements for the year ended 30th June 2020.

Committee Observation

1574. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1575. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Years 2019/20

19.1.4 Revenue from exchange transaction rendering of services

1576. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.
1577. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1578. The revenue of Ksh 77,518,043 under note 2 page 26 relates to the income from fees collected from the students of Ksh 75,079,5236 and Ksh 73,776 relates to debts receivable from the students for more information see the attached right scheduled for the rendering of services and the debt aging analysis scheduled.

Committee Observation

1579. The Committee observed that the institute had availed requisite schedules. They however still had Kshs. 73,776 outstanding relating to student deposits that had no unique identifiers.

Committee Recommendation

1580. The Committee recommends that the Accounting Officer reconciles the balance of Kshs. 73,776 within three months of adoption of this report.

19.1.5 Property, plant and equipment- lack of land ownership documents

1581. The Committee observed that the matter was recurring from the previous financial year and reiterates its recommendation on the same.

19.1.6 Cash and cash equivalents

1582. The statement of financial position and Note 17 to the financial statements reflect cash and cash equivalents balance of Kshs.160,849,340. However, as previously reported, review of bank reconciliation statements revealed that direct deposits totalling to Kshs.14,975,425 relating to three (3) bank accounts had not been receipted in the cashbook. Further, unpresented cheques totalling to Kshs.7,053,579 for one (1) bank account had not been reversed in the cash book contrary to Regulation 90(3) of the Public Finance Management (National Government) Regulations, 2015, which requires Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

Management Response

1583. The updated cashbook and reconciled bank statement with the date has been updated as indicated by the attached reconciled bank statement as well as the attached KCB saving account of sh 12,440,774.

Committee Observation

1584. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1585. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.7 Unsupported amounts in the statement of cashflows

1586. The statement of financial position and Note 17 to the financial statements reflect cash and cash equivalents balance of Kshs.160,849,340. However, as previously reported, review of bank reconciliation statements revealed that direct deposits totalling to Kshs.14,975,425 relating to three (3) bank accounts had not been receipted in the cashbook. Further, unrepresented cheques totalling to Kshs.7,053,579 for one (1) bank account had not been reversed in the cash book contrary to Regulation 90(3) of the Public Finance Management (National Government) Regulations, 2015, which requires Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

Management Response

1587. The Ksh 71,951,173 on which the document was not provided relates to the funds received from the NYS school fees for the sponsored students as attached by the list and receipt for the payment furthermore Ksh 2,228,561 relates to fees paid by the student for the KASNEB examination body as indicated by the attached receipts for the examination.

Committee Observation

1588. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1589. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.8 Non-compliance with ethnic diversity

1590. The statement of financial position and Note 17 to the financial statements reflect cash and cash equivalents balance of Kshs.160,849,340. However, as previously reported, review of bank reconciliation statements revealed that direct deposits totalling to Kshs.14,975,425 relating to three (3) bank accounts had not been receipted in the cashbook. Further, unrepresented cheques totalling to Kshs.7,053,579 for one (1) bank account had not been reversed in the cash book contrary to Regulation 90(3) of the Public Finance Management (National Government) Regulations, 2015, which requires Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

Management Response

1591. The institution has put in measures to ensure that no ethnic community dominate staff establishment by enhancing transparency in the recruitment and selection criteria by publishing the jobs advert in the institute website for the wide coverage as show by the attached document.

Committee Observation

1592. The Committee observed that all public institutions are expected to abide by values and principles of public service as provided for under Article 232(1)(h) of the constitution and the National Cohesion and Integration Act, and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

1593. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies within three months of adoption of this report.

19.1.9 Lack of internal audit function

1594. The statement of financial position and Note 17 to the financial statements reflect cash and cash equivalents balance of Kshs.160,849,340. However, as previously reported, review of bank reconciliation statements revealed that direct deposits totalling to Kshs.14,975,425 relating to three (3) bank accounts had not been receipted in the cashbook. Further, unpresented cheques totalling to Kshs.7,053,579 for one (1) bank account had not been reversed in the cash book contrary to Regulation 90(3) of the Public Finance Management (National Government) Regulations, 2015, which requires Accounting Officers to ensure any discrepancies noted during bank reconciliation exercise, are investigated immediately and appropriate action taken including updating the relevant cash books.

Management Response

1595. The institute has established internal audit function and the internal auditor was recruited and employed in the institution and as per the section 73(1) of the public finance management Act, 2012 and the auditor has been providing various advisory and assurance matter to the management further see the attaché letter of employment for the internal auditor and some for the reports relating to the institution matters.

Committee Observation

1596. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1597. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

Audited statements for Financial Years 2020/21

19.1.10 Statement of comparison of budget and actual amounts

1598. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.

1599. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1600. The Kshs. 239,492,000 is reflected as the total expenditures but not a deficit as indicated in page 6 in the statement of the comparison of budget and actual amounts.

Committee Observation

1601. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1602. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.11 Government grants transferred to mentored institutions

1603. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.

1604. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1605. The transfers of KSH 17,874,165 under note 14 relates to Mentees institution as tabulated below and attached documents for the transfers from government.

S/No	Mentee	Description	Amount
1	Kigumo TVC	Conditional Grant	3,466,667
2	Tetu TVC	Capitation	5,525,000
3	Kandara TVC	Capitation	7,254,998
4	Mathioya TVC	Capitation	1,627,500
		TOTAL	17,874,165

Committee Observation

1606. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1607. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.12 Revenue from non-exchange transactions

1608. Included in Note 2 to the financial statements on revenue from non-exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.

1609. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1610. The revenue of Ksh 6,254,998 under note 6 relates to Kandara Tvc the amount was for the capitation received from the government and it was wired into the mentor bank account. The attached document shows the detailed amount of the money.

Committee Observation

1611. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1612. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.13 Revenue from exchange transactions

1613. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.
1614. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1615. The Ksh 60,363,537 under note 7 of the revenue from exchange transaction relates to various vote income scheduled as now presented.

Committee Observation

1616. The Committee observed that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1617. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time.

19.1.14 Cash and cash equivalents

1618. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.
1619. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1620. Under note 17 page 24 the total 160,849,340 of 14,975,425 relates to long outstanding receipts that has accumulated from the student for a long time but the amount were deposited in the bank accounts but some of the receipts have not been presented by the students however that management has enforce the ADM number as prefix for the any school fees

payment in the bank so as to easily determine the amount belongs to which students and for first tracking of the amounts in the bank statement for more information see as extract from the bank statement that constitute the ADM number and the corresponding amount.

1621. Furthermore, the KSH 7,053,579 which relates to unpresented cheques for KCB current at the end of the Financial Year, the indicated cheques cleared in the month of July 2021 as shown by the extract of the bank statement for July 2021.

Committee Observation

1622. The Committee observed that of the amounts cited as outstanding, Kshs. 14,975,425 was still unreconciled related to student deposits that had no unique identifiers.

Committee Recommendation

1623. The Committee recommends that the Accounting Officer reconciles the outstanding amount of Kshs. 14,975,425 within one year of adoption of this report by the House.

19.1.15 Property, plant and equipment

1624. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendations on the same.

19.1.16 Undisclosed prior year matters

1625. The Committee observed that the matters were recurring from the previous financial years and reiterates its recommendations on the same.

19.1.17 Budgetary control and performance

1626. Included in Note 2 to the financial statements on revenue from non exchange transaction of Kshs.49,416,041 are tuition fees, administration and receivable from student fees of Kshs.8,199,048, Kshs.5,895,326 and nil balances respectively which are at variance with supporting schedules.
1627. Management has not reconciled or explained the cause of the variances and adjustments in the respective ledger accounts.

Management Response

1628. The institution under absorbed the budget by 16% due to COVID 19 interruption that affected the fees collection.

Committee Observation

1629. The Committee observed that despite covid-19 pandemic interrupting operations the institute ought to have revised its budget accordingly.

Committee Recommendation

1630. The Committee recommends that the Accounting Officer henceforth reviews the institute's budgets quarterly to reflect realities, vide supplementary budgets.

19.1.18 Non-compliance with law on ethnic composition

1631. The Committee observed that the matter was recurring from the previous financial years and reiterates its recommendations on the same.

20.0 KENYATTA UNIVERSITY

1632. Professor Paul K. Wainana Vice Chancellor, accompanied by;
i Dr. Paul Gachanja- Registrar Administration and Finance
ii Mr. Samuel Mwai- Chief Finance Officer

appeared before the Committee to adduce evidence on the audited accounts of Kenyatta University, on 9th August 2023.

Audited statements for Financial Years 2018/19

20.1.1 Going concern

1633. During the years under review the University recorded a deficit of Kshs 677,803,757 (2018 deficit of Kshs 2,109,408,511) thus reducing the accumulated surplus from Kshs. 6,522,406,889 in June, 2018 to Kshs. 5,844,603,131 as at 30 June, 2019. Further, the current liabilities of Kshs.5,497,338,841 exceeded the current assets of Kshs.1,675,332,451 resulting to a negative working capital of Kshs.3,822,006,390 which indicates that the University was unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit pension and taxes amounting to Kshs.2,920,340,762, audit fees of Kshs.6,400,000 and other deductions of Kshs.412,300,504 to the respective beneficiaries thereby risking fines and penalties. Although the University Management has put in place stringent cost cutting and revenue enhancement measures to address the financial challenges, the debt still remains unpaid.

1634. The University therefore operating under financial difficulties and has currently resulted to financing its operations using costly short-term borrowings which may further worsen the liquidity position. Therefore, the University is technically insolvent and it may not be able to meet its mandate in future. The financial statements have therefore been prepared on a going concern basis on assumption that it will continue to receive financial support from Government, creditors and donors.

Management Response

1635. The Management has put in place these measures to address the going concern challenge;
- i Adoption of cost cutting measures that resulted to a saving of Kshs 720M per annum in 2021.
 - ii Management appointed a committee to further look on cost cutting and revenues enhancement measures. The Committee recommendation has been approved by council and implemented resulting in saving of approximately 800 Million between 2022 and 2023. This has resulted in reduction of operational loss from 2.1 Billion in 2021 to 1.8 Billion. in 2022 and less than 1 Billion in year 2023
 - iii Management is looking into ways of possibly increasing student enrollment through KUCCPS which will improve fee revenue
 - iv The University won bid to provide professional teacher development training to all existing teachers that will generate more revenue.
 - v Negotiation with the Government to increase capitation.
 - vi The Management has identified properties (Rwanda campus,) for disposal and has obtained approval to dispose from The National Treasury. Due to depressed property market after Covid-19, the University has not managed to dispose the property. However, in the meantime, the University Council has approved lease of the property to generate rental income.
 - vii The Management has sought for approval to restructure the existing overdraft facility to a term loan to reduce on high interest expenses paid every month. This has enabled the University save up to Kshs 72 Million per year in interest payable.
 - viii Management has relocated the School of Agriculture to Kitui Campus to concentrate on dry land agriculture. The expected income from the schools activities is Kshs 150 million per year
1636. If the above measures are achieved, the management is optimistic that the University will be in a position meet its obligation as and when they fall due.

Committee Observations

1637. The Committee observes that –

- i. under funding of the University was a cross-cutting matter among institutions of higher learning. Capitation provided is inadequate and the institutions have limited diversification options. The Committee notes that there are efforts to review capitation provided to universities and tertiary institutions through a presidential working party, whose implementation has been put on hold by the National Assembly.
- ii. public institutions are over-reliant on government capitation, and do not explore other income generating ventures.

Committee Recommendation

1638. The Committee recommends that -

- i. the institution makes use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.
- ii. the Office of the Auditor General is required to report on the effectiveness of the interventions undertaken by the University towards improvement of the going concern during the next audit cycle.

20.1.2 Encroached Land by Squatters (Kamae)

1639. As reported in the previous years, the property, plant and equipment balance of Kshs.17,766,272,655 reflected in the statement of financial position includes land registration No.11026/2 measuring 445.17 hectares on which the main campus of the University stands. Included in the 445.17 hectares is a portion of land measuring 12.472 hectares valued at Kshs.123,281,555 that has been illegally encroached upon by informal settlers.

1640. Although the University has filed a case in Court of law against the illegal encroachment, the matter has not been determined and the informal settlers continue to erect buildings on the land.

Management Response

1641. Management is happy to report that a court ruling was delivered in favor of the University. The Judge concluded as follows;

- i That a mandatory permanent injunction is hereby issued restraining the defendants from continuing with occupation of the plaintiff's land.
- ii That an order is hereby granted for recovery of possession of the suit property namely LR NO 11026/2 by the plaintiff.
- iii That an order of eviction is hereby issued against the defendants and other trespassers from LR NO 11026/2.
- iv That a declaration is hereby issued that the occupation and user of a portion of LR NO 11026/2 by the defendants and other trespassers is illegal.

Committee Observation

1642. The committee observes that –

- i. the court entered judgement in favour of Kenyatta University and ordered eviction of the illegal informal settlers;
- ii. Kenyatta University had donated 30.82 acres of its land to 670 informal settlers who the court established were genuine squatters and had allotment letters.

Committee Recommendations

The Committee recommends that -

- i. the Attorney General sets up a multi-agency team to facilitate recovery of the encroached land in line with the judgement;
- ii. the Ministry of Lands, in collaboration with the National Land Commission, immediately commences and concludes the process of issuance of title deeds to the 670 genuine squatters;
- iii. the Office of the Auditor General reports on the implementation status of the above two (2) recommendations in the next audit cycle.

20.1.3 Land without ownership documents (Dadaab)

1643. The property plant and equipment balance of Kshs.17,766,272,655 further includes land measuring thirty two (32) hectares allocated to the University from Lagdera Constituency Development Fund in Garissa County. The University has paid registration fees of Kshs.880,000. Available information indicates that the University has obtained a letter of no objection dated 20 August, 2019 from the County Government of Garissa. The University has also obtained drawings for the Part Development Plan (PDP) awaiting advertisement, before submitting them to the National Director of Physical Planning for approval and issuance of Allotment Letter.

Management Response

1644. The Land was allocated to the University by Lagdera Constituency Development Fund in Garissa County is valued at Ksh 880,000. The amount was in respect of registration and other related charges.
1645. The University has at long last made some progress toward attainment of the ownership documents:
1646. The University has obtained Letter of No Objection from the County Government of Garissa in support of the allocation of the Dadaab campus- land by the then County Council of Garissa
1647. The County Government of Garissa (Physical Planning Office) has drawn and completed the Partial Development Plan (PDP) and advertisement of the Public Notice, in accordance with Physical Planning Act Cap 286 has been done via Gazette Notice No. 8526 dated 6th September 2019 and in the Daily Nation and Taifa Leo newspapers on 28th August 2019. The advert is supposed to remain open for the next 60days from the date of advertisement before submitting the PDP to the National Director of Physical Planning for approval to facilitate issue of Allotment Letter.
1648. The University has engaged the service of a consultant to fast track the exercise.

Upon issuance of a title deed, the Management will engage a valuer to give value of the property to be adjusted in the university financial records. This is work in progress and management is optimistic that the University will have the title deed.

Committee Observation

1649. The committee observes that the matter has been outstanding for a long time and the University risks losing the land.

Committee Recommendations

1650. The Committee recommends that –

- i. the management of the University engages with the Ministry of Lands to fast track issuance of the title deed;
- ii. the Office of the Auditor General reports on the implementation status of the above recommendation in the next audit cycle.

20.1.4 Kenyatta University Teaching, Referral and Research Hospital

1651. The property, plant and equipment balance of Kshs.17,766,272,655 as at 30 June, 2019 excludes the value of Kenyatta University Teaching, Research and Referral Hospital that stands on the Universities 7.97 hectares of land. The hospital was built after the Kenya Government entered into a concessional loan agreement with Export-Import Bank of China for a concessional loan of Kshs.8,756,625,600.

1652. Further, the Government of Kenya through Legal Notice No.4 of 25th January, 2019 gazetted Kenya University Teaching, Research and Referral Hospital as a state corporation.

Management Response

1653. The Statement of Financial Position balance of Property, Plant and Equipment includes 7.97 hectares of land occupied by Kenyatta University Teaching, Research and Referral Hospital which is now established as a State Corporation.

1654. Records held by the University indicate the hospital belongs to Kenyatta University and that the University Hospital is built on Kenyatta University land. Though the Hospital was made a Parastatal in 2019, the issue of ownership is still being addressed.

1655. It is worth noting that Parliamentary Committees on Health and Implementation, in the 12th Parliament, recommended as follows;

- a) The Cabinet Secretaries for the Ministry of Education and Ministry of Health Health should ensure that Kenyatta University has full access to the Kenyatta University Teaching Research and Referral Hospital facilities, as envisaged, for use by its college of Health

Sciences, which comprises Schools of Medicine, Pharmacy, Nursing, Public Health and Dentistry.

- b) H.E. the President should revoke Legal Notice No. 4 of 2019 and revert the Kenyatta University Teaching Research and Referral Hospital to a University Hospital within six (6) months of the adoption of this report.

Committee Observations

1656. The committee observed that -

- i. the land on which KUTRRH is built is owned by Kenyatta University, who possess the title deed;
- ii. The Departmental Committee on Health and the Select Committee on Implementation of the 12th Parliament recommended that Legal Notice No. 4 of 2019 be revoked and the Hospital be reverted to the University;
- iii. The procedure for declaring KUTRRH a State Corporation under Legal Notice No. 4 of 2019 was unprocedural as the University was not represented in the meeting leading to the Legal Notice and there was no public participation in the entire process;
- iv. While the facility is accessible to Students from other institutions, the medical students at Kenyatta University are required to undertake their studies and medical rounds at Kiambu and Thika level V Hospitals. This poses a significant inconvenience in terms of travel and time commitments for both the University and the students;
- v. Legal Notice No. 39 of 2021 was unlawful as it excluded the Vice-Chancellor of Kenyatta University, the Director of Medical Services and a representative of the Kenyatta University Council from the Hospital's Board of Directors; and
- vi. the main purpose for the establishment of KUTRRH was to offer teaching, training and research to Kenyatta University medical students.

Committee Recommendations

1657. The committee upholds the recommendations by the Departmental Committee on Health and the Select Committee on Implementation of the 12th Parliament on the revocation of Legal Notice No. 4 of 2019;

1658. Further, the Committee recommends that –

- i. the Executive Arm of Government should make concerted efforts to execute the recommendations put forth by Parliament. In instances where they encounter obstacles that impede their ability to do so, it is imperative that they effectively communicate the challenges faced in the implementation of these recommendations, providing detailed account of the challenges to Parliament;

- iii. Kenyatta University Medical Students should be allowed unrestricted access to the hospital's student wing, as was initially envisaged during the hospital's conception.
- 1659. Revocation of Gazette Notice No 39 of 2021 which amended legal Notice No 4 of 2019 to exclude the Vice-Chancellor of Kenyatta University, the Director of Medical Services and a representative of the Kenyatta University Council from the Hospital's Board of Directors.

20.1.5 Receivable from Non-exchange Transaction-Car Loans

- 1660. As previously reported, the receivables from non-exchange transactions balance of Kshs.730,322,130 reflected in the statement of financial position as at 30th June, 2019 includes an amount of Kshs.6,327,583 in respect of staff debts, out of which Kshs.1,421,445 relates to car loans due from four (4) officers who have since left the University. The amount has been outstanding for long period of time. The loans were issued by the National Bank of Kenya and guaranteed by the University but the staff defaulted in repayment after they left the University.
- 1661. The bank however recovered the amounts owed together with accrued interest from the fixed deposit account of the University. Although the car loan debts are being followed by the University lawyer through legal channels and the appointed debt collection firm, the University has not fully recovered the outstanding loans from them.
- 1662. It is also not clear how the vehicle logbooks were released to the ex-staff and how the ex-employees were cleared by Management before the University had fully recovered the outstanding loans from them.

Management response

- 1663. The car loan scheme facility was inherited from the University of Nairobi. This facility enabled staff to purchase vehicles using loan from National Bank of Kenya guaranteed by the University.
- 1664. During that time staff used to collect the log books for the purpose of renewing road licenses with the registrar of motor vehicles and often times some staff would return the log books on time. The pension benefit used to be utilized to offset any outstanding balance on car loan or other money owed by a staff member.
- 1665. However, this became impossible after the enactment of the Retirement Benefits Authority Act of 2008 which prohibited the recovery of any staff debt from the pension fund. Subsequently car loan facility was withdrawn. The ex-employees have not been cleared by the University.
- 1666. The outstanding debts on car loans have been handed over to the University lawyer for follow up through legal channel. The University has also appointed debt collection firm to assist in collecting the debts. The Management is monitoring progress of debt collection firm

and upon receiving their report will explore possibility of seeking approval to write off unrecoverable debts

Committee observation

1667. The committee observes that these debts have been outstanding for the last 16 years and that the University has exhausted all the legal channels for recovering the amounts.

Committee Recommendations

1668. The Committee recommends that the management of the University –

- i. commences the process of writing-off the debt through the National Treasury;
- ii. institutes internal control measures to ensure full repayment of employee loans before they exit the University, failure to which, the Accounting Officer is surcharged for unrecovered debt.

20.1.6 Outstanding Imprest

1669. The receivables from non-exchange transactions balance of Kshs.730,322,130 also includes outstanding imprest totaling Kshs.14,448,286 out of which imprest amounting to Kshs.9,380,326 has been outstanding for over a year. The University has indicated that recovery of the long outstanding imprest is being followed through legal channels and a debt collection firm has been appointed to assist in collecting the debts.

1670. Under the circumstances, recoverability of the receivables amounting to Kshs.10,801,771 is doubtful.

Management Response

1671. Imprest debts amounting to Kshs 9,380,326 emanated from employees who exited the University and had not accounted for imprest at the time of exiting. Before the year 2011, there were no time lines on accounting of imprest and in addition it was not mandatory for one to account for previous imprest before applying for another.

1672. Since 2011, the University has put measures to ensure that imprests are accounted for within a period of 30days, unaccounted imprests are recovered in full from staff salary and no imprest is granted to staff who have not accounted for previous imprest. Kindly note the imprest debts have been outstanding for the last 12 to 15 years.

1673. Outstanding debts on Imprests have been handed over to the University lawyer for follow up through legal channel.

1674. The University has also appointed debt collection firm to assist in collecting the debts. The Management is monitoring progress of debt collection firm and upon receiving their report will explore possibility of seeking approval to write off unrecoverable debts. Kindly note that the debt collection firm has so far recovered debts worth Kshs 11,702,359.10.

Committee observation

1675. The committee observes that these debts have been outstanding for a very long time and that the University has exhausted all the legal channels for recovering the amounts.

Committee Recommendations

1676. The Committee recommends that–

- i. the management of the University commences the process of writing-off the debt through the National Treasury;
- ii. the Accounting Officer complies with Section 93 of the Public Finance Management National Government Regulations, 2015 on issuance and management of imprest.

20.1.7 Nugatory Expenditure-Closure of Kigali and Arusha Campus

1677. As previously reported, Kenyatta University incurred a total of Kshs.518,174,359 to set up both Kigali campus in Rwanda (Ksh.420,749,207) and Arusha campus in Tanzania (Kshs.97,425,152). However, the University closed down the two campuses due to operational challenges apparently imposed by change in legislation by both the Government of Rwanda and the Government of the United Republic of Tanzania after the University had just met all the requirements and was ready to roll out programmes.

1678. Management had indicated that, out of Kshs.97,425,152 investment in Arusha Campus in Tanzania, an amount of Kshs.90,016,542 was expenditure on salary, rental, operations and maintenance expenses hence not recoverable. A balance of Kshs.7,408,610 was in relation to furniture and equipment that were brought to the main campus and distributed to various departments. However, the inventory of such assets was not availed for audit verification, further; the National Treasury has granted approval for disposal of the property in Kigali Campus.

1679. Although the University has explained that all the due diligence was done before the decision to open up the two campuses, the Management has not made any recovery on the amount so far incurred totaling Kshs.518,174,359.

Management response

1680. The University incurred Kshs 518,174,359, in the establishment of Kigali and Arusha campuses. Unfortunately, due to various challenges, the campuses were unable to start off and the University Council approved that they be wound up.

1681. Management would wish to report that Arusha campus has already been closed and the moveable property brought to the main campus and distributed to various campuses for use by staff and students.
1682. Approval has been granted by The National Treasury to dispose Kigali property and we are optimistic that the University will recover the cost incurred in establishing the campus.
1683. The sale of the property has been hampered by current depressed property market and the effect of covid-19 to the economy. However, as a stop gap measure, the University Council approved leasing of the property to generate rental revenue estimated at 4.5 Million per month.
1684. The advertisement for tender was done in 10th March 2023 in new times newspaper in Rwanda and on 3rd March in standard newspaper Kenya the tender closed on 18th April 2023
1685. Management is optimistic that we will dispose the Kigali property once the economy improves.

Committee Observations

1686. The Committee observes that -

- i **Unjustified Renovation Costs:** The Committee noted that the university had initially intended to purchase a ready-to-use property. Consequently, the expenditure of Ksh. 54,073,302.81 for renovations and partitioning was not justified.
- ii **Absence of Stakeholder Consultation:** There was no evidence of consultation with the university management when the directive for the closure of the campus was issued in 2018 by the Ministry of Education. This lack of stakeholder engagement highlights a failure in governance structure and decision-making processes by the Executive.
- iii **Direct procurement of the property:** Purchase of the property was done through direct procurement, without comparing prices among different properties. This lack of competitive bidding raised concerns about potential inflation of the property cost, amounting to Ksh. 314,894,910.40.
- iv **Poor Workmanship:** An inspection of the property revealed poor workmanship in the renovations, evidenced by worn out tiles, incomplete sections of interconnecting corridor, among others. This substandard quality indicated a lack of oversight and value for money spent on renovations.

- v **Risk of Financial Loss:** It may be difficult to recoup the investment in this property if the University decides to sell due to its overpriced purchase.

Committee Recommendations

1687. The committee recommends that a special audit be conducted to ascertain whether there was value for money in the purchase of the property and the subsequent expenditures. The audit should –

- i analyse the budgeting and procurement process in relation to expenditures incurred;
- ii ascertain the authenticity, effectiveness and nature of expenditure incurred towards implementation of the project;
- iii establish whether the process of approval was lawful, transparent, accountable, and without collusion, conflict of interest, or abuse of power;
- iv ascertain the value for money in the expenditures incurred; and
- v any other matter that may interest the Auditor General in these expenditures.

20.1.8 Budgetary Control and Performance

1688. The statement comparison of budget and actual amounts indicates that the University had an approved revenue budget of Kshs.7,335,002,303 against actual receipts of Kshs.8,860,788,646 resulting into an over-expenditure of Kshs.237,345,498 or 3%. The receipts surplus was attributed to stringent measures implemented on fees collection while the over-expenditure occurred mainly due to an increase in depreciation of assets that was not considered in the budget. However, there is need by the University to refocus on budgeting on its own locally generated funds.

Management Response

1689. In the year under review, the University had an approved revenue budget of Kshs.7,335,002,303 against actual receipts of Kshs.8,860,788,646 resulting into an over-expenditure of Kshs.237,345,498 or 3%. The surplus in revenue was as a result of stringent measures implemented on fees collection while the over expenditure was due to provision for depreciation that had not been included in the budget. This is included in the 2020 budget. We appreciate the auditors concern and we will refocus on budgeting our locally generated funds.

Committee Observation

1690. The committee observes that the issue has been resolved since the auditor was satisfied with the response provided by management.

Committee Recommendation

1691. The audit query is resolved. The committee however recommends that the management carries out periodic reviews on the institutions budget as guided by The National Treasury.

20.1.9 Ethnic Diversity

1692. A review of the University staff data as of 30th June, 2019 revealed that one ethnic community accounted for 40% of Council Members, 45.4% of senior management and 40.7% of permanent staff. This is contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from same ethnic community. The University was therefore in breach of the law

Management Response

University Council

1693. The University Council is composed of independent Council Members and representatives from the Ministry of Education and the Treasury. The University has no control over the appointment of these representatives of Government agencies. They are appointed by the respective Principal Secretaries on need basis and they are occasionally changed for various reasons. The independent members of Council are appointed by the Cabinet Secretary, Ministry of Education

The Management Board

1694. The University has eleven (11) members. In the year 2019, three (3) out of the eleven (11) positions were vacant and only eight members were holding office substantively. The other three were held by officers on acting capacity. The ethnic group with the highest number had three (3) out of the eight substantive members.

Other University Staff

1695. This may not have been compliant with the National Cohesion and Integration Act, 2008 for various reasons, the main one being that support staff in Grade I – IV, who constitute 32.04% of the total population are mainly drawn from the locality. This is a common trend in all organizations. The University is geographically in Kiambu County and it happens that most support staff are drawn from the County.
1696. The issue of ethnicity is historical as many employees were employed before the National Cohesion and Integration Act, 2008 was enacted. The University is making deliberate efforts to reduce the imbalance.

Committee Observation

1697. The Committee observed that all public institutions are required to abide by values and principles of public service as provided for under Article 232(1)(h) of the Constitution and the National Cohesion and Integration Act and ensure fair and diverse representation of the people of Kenya in staffing.

Committee Recommendation

1698. The Committee recommends that the Accounting Officer makes deliberate effort to correct the imbalance, by ensuring affirmative action in subsequent recruitments. Further, this requirement must be embedded in the institutions HR manual and policies.

20.1.10 Non-Compliance with one Third Basic Pay Rule

1699. Analysis of the payroll data for the year ended 30th June, 2019 revealed that there was a monthly average of one hundred and sixty (160) University employees who were being paid net salary that is less than a third (1/3) of their basic pay. This is contrary to Section C. 1(3) of the Human Resource Policies and Procedures Manual for the Public Service dated May, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

Management Response

1700. In the year 2019/2020, the University put in measures to ensure that this is eliminated. Management is happy to report that all employees are being paid net salary that is a third (1/3) or more of their basic salary. Enclosed are payroll extracts for the months of July 2021, January 2022 and July 2022 and January 2023.

1701. Kindly note, the University Management is committed to ensuring that Section C. 1(3) of the Human Resource Policies and Procedures Manual for the Public Service dated May, 2016 is observed

Committee Observation

1702. The committee observes that the University was in breach of the law.

Committee Recommendation

1703. The committee reprimands the Accounting Officer and recommends that henceforth complies with the provisions of Section 19 (3) of the Employment Act. 2007

Audited statements of financial year 2019/2020

20.1.11 Going concern

1704. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.12 Encroached land

1705. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.13 Land without ownership documents

1706. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.14 Kenyatta University Teaching, Referral and Research Hospital

1707. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.15 Outstanding Imprest

1708. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.16 Car loans

1709. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.17 Nugatory Expenditure-Closure of Kigali and Arusha Campus

1710. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.18 Budgetary Control and Performance

1711. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation

20.1.19 Staff Ethnic Composition

1712. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.20 Non-Compliance with one Third Basic Pay Rule

1713. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

Audited statements of financial year 2020/2021

20.1.21 Illegal Encroachment on Land and Lack of Ownership Documents

1714. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.22 Unsupported inventory balance

1715. The statement of financial position and as disclosed in Note 20 to the financial statements reflected inventories balance of Kshs. 42,182,627. However, this balance was not supported by stock take reports. In the circumstances, the accuracy and completeness of inventories balance of Kshs. 42,182,627 could not be confirmed.

Management Response

1716. The stock sheets that support the stock balance of kshs 42,182,627 in the financial statement for the year ended 30 June, 2021 are provided.

Committee Observation

1717. The committee observes that the issue had been resolved since the institution had provided the supporting documentation to the auditors.

Committee recommendation

1718. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time to facilitate the audit process.

20.1.23 Unsupported Trade and Other Payables

1719. The statement of financial position and as disclosed in Note 23a to the financial statements reflects trade and others payables from exchange transactions of Kshs. 6,674,121,498. Included in the balance is an amount of Kshs. 976,664,361 that was not supported by ledgers/schedules and detailed analyses of payees and amount owing.

1720. Further payables amounting to Kshs. 84,151,386 differed with their supporting schedules balance of Kshs. 103,296,420 resulting to an unexplained variance of Kshs. 19,145,034.

Management Response

1721. Attached please find support ledgers of trade and other payables confirming the balance as stated in the financial statements of the year 2021.

Committee Observation

1722. The committee observes that the issue had been resolved since the institution had provided the supporting documentation to the auditors.

Committee Recommendation

1723. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time to facilitate the audit process.

20.1.24 Long outstanding Trade and Other Payables

1724. Included in trade and other payables from exchange transactions balance of Kshs. 6,674,121,498 are unremitted statutory deductions in respect of pension, NHIF, NSSF deductions and contributions by employer, Pay As You Earn (PAYE) and VAT totaling Kshs. 4,943,796,131. In addition, the balance includes other third-party deductions from employees including welfare, insurance, cooperative, other salary and staff loans totaling to Kshs. 421,447,742 which have not been remitted to beneficiary institutions. Further, the balance includes general creditors balance of Kshs. 505,698,150 owed to general suppliers and other contractors which have been outstanding for a long period.

1725. In the circumstances, the accuracy and completeness of trade and other trade payables from exchange transactions could not be confirmed.

Management Response

1726. For the last Seven years Kenyatta University has experienced drastic down turn in revenue streams caused by the following factors

- i Reduced student's numbers especially self-sponsored students
- ii Government policy on differentiated unit cost funding which reduced University recurrent grants allocation
- iii Low performance of already established Campuses
- iv Low performance of third stream income generating activities (IGA)
- v University unrest in 2017 and 2018

1727. This has resulted into the university reporting loss position and hence high traded and other payables. The University has put in cost cutting and revenue enhancement measures to address the challenges.

Committee Observations

1728. The Committee observes that –

- i. under funding of the university was a matter that was cross-cutting amongst institutions of higher learning. Capitation provided was inadequate and the universities had limited diversification options. The Committee notes that there are efforts to review capitation provided to universities and tertiary institutions through a presidential working party, whose implementation has been put on hold by the National Assembly;
- ii. public institutions of higher learning are over-reliant on government capitation, and do not explore other income generating ventures.

Committee Recommendations

1729. The Committee recommends that -

- i. the institution makes use of its in-house technical expertise and engage in income generating activities including technological research and development and consultancies.
- ii. the Office of the Auditor General is required to report on the effectiveness of the interventions undertaken by the University towards improvement of the reducing the debt.

20.1.25 Unsupported Operations Expenses

1730. The statement of financial performance and as disclosed in Note 16 to the financial statements reflects operational expense totaling to Kshs. 1,184,572,550. Included in the expenditure are amounts of Kshs. 41,695,306 and Kshs. 17,955,696 in respect of stationery and health unit drugs respectively.
1731. However, supported schedules provided reflected debit figures indicated as decrease which was not explained and corresponding information on payees and amounts were not provided for audit.
1732. Further, included in the operations expenses is an amount of Kshs. 16,782,195 in respect of other office consumables. However, the amount differs with the support schedule of Kshs. 18,041,150 resulting to an un-reconciled variance of Kshs. 1,258,955.
1733. Similarly, the balance includes an amount of Kshs. 20,636,219 in respect of examination stationery whose supporting schedule provided for audit included an unexplained payment to local bank amounting to Kshs. 8,969,438.
1734. In addition, included in the balance is Kshs. 35,139,692 in respect of regional expense open learning. However, the supporting schedule reflected expenditure on coffins, clinical waster, refuse collection, garbage collection and dairy feeds which appeared unrelated to open learning expense.

1735. In the circumstances, the accuracy and completeness of the operations expenses of Kshs. 1,184,572,550 could not be confirmed.

Management Response

1736. The debit figures relates to issuance from the stores to specific cost unit. The University buys items in bulk and department incur cost when items are issued to them hence the debit figures in the expense ledgers and a corresponding credit figure in the stores ledger. Attached are stores and expense ledger extracts to illustrate the same.
1737. The debit figures relates to issuance from the stores to specific cost unit. The University buys items in bulk and department incur cost when items are issued to them hence the debit figures in the expense ledgers and a corresponding credit figure in the stores ledger. Attached are stores and expense ledger extracts to illustrate the same.
1738. The total of Kshs 18,041,150 reflects the total consumable for the university in the financial year however Kshs 1,258,955 relates to income generating units' consumables which are shown as separate note in the financial statements. The difference is the amount spent by central operations of the University.
1739. The 8,969,438 were two cheques paying various suppliers who supplied examination stationery. Cheques were drawn to the bank and a schedule provided on suppliers details.
1740. Kshs 35,139,692 was expenditure on collection of accounts and the same have been rectified to distinct expenditure accounts.

Committee Observation

1741. The committee observes that the issue had been resolved since the institution had provided the supporting documentation to the auditors.

Committee Recommendation

1742. The Committee reprimands the Accounting Officer for failure to provide supporting documentation as required under Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government and section 13 of the Public Audit Act.

20.1.26 Long Outstanding Receivables from Non-exchange Transactions

1743. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation

20.1.27 Inaccuracies in Sundry Debtors Balance

1744. The statement of financial position and as disclosed in Note 19 to the financial statements reflects a balance of Kshs. 175,848,463 in respect of receivables from non-exchange transactions. Included in the balance is an amount of Kshs. 94,443,269 in respect of sundry

debtors. However, this balance differs with the schedule balance of Kshs. 86,339,719 resulting to an unexplained variance of Kshs. 8,103,550/.

1745. In addition, the balance includes an amount of Kshs. 55,339,719 for which the services rendered have not been explained and no billing documents were provided for review.

Committee Observation

1746. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1747. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time to facilitate the audit process.

20.1.28 Unsupported Receivables from Government Agencies

1748. The statement of financial position reflected receivables from non-exchange transactions balance of Kshs. 175,848,463. Included in this balance is an amount of Kshs. 7,026,961 in respect of Government agencies which was not supported by reconciliation to confirm the amounts due.

1749. In the circumstances, the accuracy and completeness of Kshs. 175,848,465 for receivables from non-exchange transactions could not be confirmed.

Management response

1750. The University does business with Government agencies through provision of service at our North Coast Beach Hotel.

1751. The amount of Kshs 7,026,961 relates to debts owed by Government agencies like Bandari Maritime Authority, Kilifi County Government, Kajiado County Government among others.

Committee Observation

1752. The Committee observes that the relevant documentations are yet to be provided for audit.

Committee Recommendations

1753. The Committee reprimands the Accounting Officer for failure to provide relevant documentation for audit as required under Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government and section 13 of the Public Audit Act.

1754. The Accounting Officer immediately provides the relevant documentation to the Auditor General for review and subsequent reporting in the next audit cycle.
1755. The Accounting Officer institutes recovery mechanisms of the Ksh. 7,026,961 from the aforementioned government agencies.

20.1.29 Uncertainty Relating to Sustainability of Service

1756. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.30 Budgetary Control and Performance

1757. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.31 Unresolved Prior Year Matters

1758. The committee has given various recommendations to the queries raised in prior year audit reports.

20.1.32 Non-Compliance with the One-Third of Basic Salary Rule

1759. The Committee observes that the matter was recurring from the previous financial year and reiterates its recommendation.

20.1.33 Capital Work In Progress

1760. The statement of the financial position and Note 26 to the financial statements reflects capital work in progress of Kshs.805,144,606. However, review of documents revealed that projects valued at Kshs.616,427,834 had stalled for over a year and their completion date was uncertain. In the circumstances, the value for money on the stalled projects could not be confirmed.

Management Response

1761. The projects were internally funded by the University through income from fee collection and other university IGA's. Since 2016/2017 the revenue has declined and management is not able to continue with development projects since the funds collected are not enough even to meet operational cost. The management is optimistic that the trend will reverse and will be able to revive the stalled project.

Committee Observation

1762. The committee observes that three (3) projects, namely, the Children's Hospital, the College of Business, and the Students' Recreation Centre, had stalled at the foundation level.

However, the committee was unable to determine whether the expenditures incurred had resulted in a commensurate value for the funds spent so far.

Committee Recommendation

1763. The committee recommends that a special audit be conducted to ascertain whether there was value for money in the expenditures incurred. The audit should –

- i. analyse the budgeting and procurement process in relation to expenditures incurred in relation to the aforementioned projects;
- ii. ascertain the authenticity, effectiveness and nature of expenditure incurred towards implementation of the projects;
- iii. establish whether the process of approval was lawful, transparent, accountable, and without collusion, conflict of interest, or abuse of power;
- iv. ascertain the value for money in all the expenditures incurred; and
- v. any other matter that may interest the Auditor General in these expenditures.

20.1.34 Expired Contracts for Members of Staff

1764. Review of staff establishment documents at the North Coast Beach Hotel revealed that there was a total of forty (40) staff with three of the staff on permanent basis while thirty-seven (37) were on contract terms. However, review of personal files for the contract staff revealed that their contracts have expired and its basis of their continued employment was not explained. In the circumstance, the effectiveness of internal controls and governance could not be confirmed.

Management Response

1765. Staff at the North Coast Beach Hotel are hired on contract because of the seasonal nature of the business. There was a slight delay in renewing of their contract as the management was reviewing the staff need requirement and business projections. The same has been resolved and staff issued with contract letters.

Committee Observation

1766. The Committee observes that the matter had been resolved as the Auditor-General was satisfied with the management response.

Committee Recommendation

1767. The Committee recommends that the Accounting Officer henceforth complies with Section 68(2)(b) of the PFM Act 2012 and Section 99(3)(ix) of the PFM Regulations 2015 for the National Government by providing supporting documentation on time to facilitate audit.

20.1.35 Loss Making Operations

1768. The statement of financial performance and Note 8 to the financial statements reflects revenue from the income generating activities of Kshs.134,047,892. However, revenue activities in respect of catering and North Coast Beach Hotel of Kshs.18,757,318 and Kshs.33,262,022 respectively had corresponding expenses of Kshs.35,631,747 and Kshs.50,135,854 respectively resulting to losses. In addition, the Regional Centre for capacity development on which an expenditure of Kshs.102,791 was incurred generated no income. Management has not explained measures that will be put in place to reverse the trend from these operations and ensure their sustainability.
1769. In the circumstance, the effectiveness of the University's risk management and governance could not be confirmed.

Management Response

1770. The two business units were highly affected in the years under review because of the effects of Covid-19. This resulted into loss making for the period under review. However the two business units have resumed normal operation and now operating profitably.

Year 2021 Performance

1771. Catering Income Kshs 18,757,318 against an expenditure of Kshs 35,631,747 making a loss of Kshs 16,874,429 which translates to 90% loss
NCBH income was Kshs 33,262,022 against an expenditure of Kshs 50,135,854 making a loss of Kshs 16,873,832 which translates to 50.7%

Year 2022 Performance

1772. Catering Income Kshs 56,121,101 against an expenditure of Kshs 64,809,816 making a loss of Kshs 8,688,715 which translates to 15.5% loss
NCBH income was Kshs 154,840,648 against an expenditure of Kshs 104,370,310 making a profit of Kshs 50,470,338 which translates to 32.6% profit.

Committee Observation

1773. The Committee observes that numerous business operations, especially in the hospitality industry, were adversely affected during the Covid-19 period.

Committee Recommendation

1774. The Committee recommends that the Auditor General reviews and reports on operations of the aforementioned establishments in the next audit cycles.

SIGNED..... DATE..... 5th DEC 2023

HON. WANAMI WAMBOKA, M.P.

**CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND
EDUCATION**

THE NATIONAL ASSEMBLY
PAPER NO. 236

DATE: 06 DEC 2023 Wednesday

TABLED BY: Hon. Wanami Wamboka (Chairperson)
P/Icon Governance & Education

CLERK-AT-THE-DESK: Mado