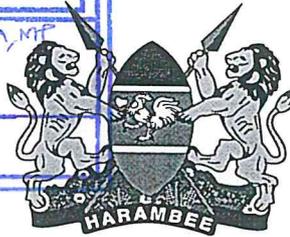


 THE NATIONAL ASSEMBLY PAPERS LAID	
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Approved
SNA
25/2/26.

REPUBLIC OF KENYA
 THIRTEENTH PARLIAMENT- FIFTH SESSION

 THE NATIONAL ASSEMBLY

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

 ON EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE
 FINANCIAL STATEMENTS OF EGERTON UNIVERSITY FOR THE FINANCIAL
 YEARS 2018/19, 2019/2020, 2020/2021, 2021/2022, 2022/2023 & 2023/24

DIRECTORATE OF AUDIT, APPROPRIATIONS & OTHER SELECT COMMITTEES

THE NATIONAL ASSEMBLY
 PARLIAMENT BUILDINGS
 NAIROBI

FEBRUARY 2026

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LIST OF ABBREVIATIONS/ACRONYMS

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

CHAIRPERSON'S FOREWORD

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

In examination of the reports for Egerton University, The Committee determined to go back (6) FYs from FY 2023/24 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 of Egerton University on its own based on the wide coverage of 6 FYs and the number of Audit issues raised totalling to ninety-five (95). This report is the eight (8th) report from The Committee and covers Egerton University.

In examining the accounts of the Auditor General, The Committee carried the proceeding at the University where the Vice Chancellor and the relevant staff appeared before The Committee to adduce evidence before it.

This report contains observations, findings and recommendations arising from the examination of reports of the Auditor-General for Egerton University for six financial years running up to the latest, 2023/24 FY. The report is structured as follows:

- i) general observations arising from recurring and cross-cutting audit queries;
- ii) recommendations to each of the above;
- iii) audit queries identified by the Auditor General in the audit reports of each state corporation;
- iv) management responses to each of the queries;

- v) Committee Observation/ findings on each query; and
- vi) recommendations of The Committee to each query raised.

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

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

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

On behalf of the Public Investments Committee on Governance and Education, and pursuant to National Assembly Standing Order 199(6), it is my pleasant duty and honor to present the 8th Report of the Public Investments Committee on Governance and Education on Audited Financial Statements for Egerton University for six financial years running up to the latest, 2023/24 FY.

HON. WANAMI WAMBOKA, MP

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

EXECUTIVE SUMMARY

The 8th Report of the Public Investments Committee on Governance and Education (PIC-G&E) contains the Committee's examination of audited financial statements of Egerton University for six (6) FYs i.e., FY 2018/19, FY 2019/20, FY 2020/21, FY 2021/22, FY 2022/23 and FY 2023/24.

In its examination and scrutiny of the audited financial statements of Egerton University, the Committee's primary approach was to elicit background information as to why particular courses of financial and/or management actions were or were not taken. This was done guided by the relevant public financial management principles in the Constitution of Kenya, 2010, the Public Audit Act, Cap. 412B, the Public Finance Management Act, Cap. 412A and the attendant Regulations, the Public Procurement and Asset Disposal Act, Cap. 412C and the attendant Regulations, the International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) relevant for commercial state corporations.

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

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

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

1.0 PREFACE

1.1 Establishment and Mandate of the Committee

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

- i. examine the reports and accounts of the public investments;
- ii. examine the reports, if any, of the Auditor-General on the public investments; and
- iii. examine, in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.

2. The Committee in considering the Audited accounts of State Corporations is guided by the Constitution of Kenya, 2010 and the following statutes and codes/regulations in undertaking its mandate: -

a) Chapter Twelve of the Constitution on Public Finance

Part I-Principles of Public Finance

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

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

Part 6-Control of Public Money

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

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

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

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

b) The Public Finance Management Act, Cap. 412A

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

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

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

1.2 Committee Membership

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

Chairperson

The Hon. Wanami Wamboka, M.P.

Bumula Constituency

DAP-K Party

Vice Chairperson

The Hon. Kibagendi Antoney, MP

Kitutu Chache South Constituency

ODM Party

The Hon. Alfah Miruka, CBS, MP.

Bomachoge Chache Constituency

UDA Party

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

Sotik Constituency

UDA Party

The Hon. Bonaya Gollo, MP

Isiolo County

Jubilee Party

The Hon. Thuddeus Nzambia, MP.

Kilome Constituency

WDM Party

The Hon. Shadrack Mwiti, MP.

Imenti South Constituency

Jubilee Party

The Hon. Wamacukuru Githua Kamau , MP.

Kabete Constituency

UDA Party

The Hon. Moses Kirima, MP

Imenti Central Constituency

UDA Party

The Hon. Maurice K. Bisau, MP.

Kimini Constituency

DAP-K Party

The Hon. Daniel Karitho, MP

Igembe Central Constituency

Jubilee Party

The Hon. Rebecca Tonkei, MP.

Narok County

UDA Party

The Hon. Chiforomodo Munga, MP

Lungalunga Constituency

UDM Party

The Hon. Mark Mwenje, CBS, MP.

Embakasi West Constituency

Jubilee Party

The Hon. Joseph Tonui, MP

Kuresoi South Constituency

UDA Party

1.3 Committee Secretariat

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

Ms. Christine Ndiritu
Clerk Assistant I/ Lead Clerk

Mr. Victor Mutugi Fundi
Clerk Assistant III

Ms. Rinha Saineye
Media Relations Officer

Ms. Winny Otieno
Clerk Assistant III

Ms. Eunice Liavuli
Research Officer III

Mr. Abdimalik Ahmed
Clerk Assistant III

Ms. Geogina Okoth
Research Officer III

Ms. Noel Amutabi
Legal Counsel II

Mr. Stephen Otieno
Sergeant at Arms

Mr. Machuki E. Mwebi
Fiscal Analyst II

Ms. Mary Kamande
Public Communications Officer

Mr. Collins Mahamba
Audio Officer

1.4 Committee proceedings

4. To produce this report, The Committee held two (2) sittings in which it examined the audited financial statements of Egerton University and the accompanying Reports by the Auditor-General.
5. In its inquiry into whether the affairs of public investments are managed in accordance with sound business principles and prudent commercial practices, The Committee heard and received both oral and written evidence from the Vice Chancellor and other relevant witnesses.
6. The recommendations on the issues raised by the Auditor-General for the various State Corporations are found under appropriate sections of the report on each of the State Corporations examined.
7. These observations and recommendations, if considered and implemented, will enhance accountability, effectiveness, transparency, efficiency, prudent management, commercial viability and value for money in Egerton University.

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

8. In its examination of the financial and audit reports of Egerton University covering the six (6) financial years up to and including the 2023/2024 Financial Year, the Committee reviewed a total of ninety-five (95) audit queries raised by the Auditor General. Of these, seventeen (17) had been fully resolved, forty-eight (48) were recurring, and thirty (30) remained unresolved. The Committee did not issue additional recommendations with respect to matters already resolved. For the recurring issues, the Committee reiterates the observations and recommendations made in previous financial years. Regarding the unresolved queries, the Committee has set out detailed observations and recommendations within the relevant sections of this report.
9. In relation to the cross-cutting and persistent audit concerns identified, the Committee highlights the following six (6) issues on which it makes general observations and recommendations:

2.1 Going Concern and Financial Deficits

10. In all the 6 FYs covered, the University has faced persistent going concern challenges and recurring deficits. These trends raise significant doubts about the entity's ability to sustain operations and meet its obligations. The lack of disclosure of material uncertainty related to going concern further compounds the risk, as stakeholders may not have a clear picture of the financial health of the institution.

The Committee recommends that Management should, within 60 days, prepare and submit a formal Going-Concern Recovery Plan that includes specific cost-cutting measures, revenue enhancement strategies, debt restructuring actions, and clear implementation timelines. In addition, Management must consistently disclose any material going concern uncertainties in the notes to the financial statements in compliance with IPSAS 1. To ensure sustainability, the Ministry of Education and National Treasury should jointly conduct a financial sustainability assessment and provide policy guidance to support the University's recovery.

2.2 Receivables Management

11. Receivables, including student debtors and imprests, have remained unresolved across multiple FYs. This persistent issue points to weaknesses in debt recovery processes and ineffective cash flow management. Failure to invoice students promptly after registration and inadequate

follow-up mechanisms exacerbate the problem, leading to liquidity constraints and increased financial strain.

The Committee recommends that Egerton University Management should implement stringent credit control policies and leveraging technology for automated billing and collection. Moreover, the Council should approve the write-off of irrecoverable student debts.

2.3 Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

2.4 Unremitted Statutory Deductions and Payables

13. The recurring failure to remit statutory deductions and settle payables, observed in multiple FYs exposes the University to significant compliance risks and potential penalties. Non-remittance of statutory obligations not only attracts legal consequences but also damages the entity's reputation and credibility with regulators and employees. This issue reflects poor financial discipline and inadequate internal controls, necessitating immediate corrective measures to ensure timely compliance and avoid litigation.

The Committee recommends that: -

- (i) The University to develop and implement a phased plan to remit all outstanding statutory deductions to relevant authorities.*
- (ii) Ensure all future deductions are remitted promptly and supported by detailed schedules and adhere strictly to Income Tax Act Section 37(1) and other statutory requirements.*
- (iii) Hold responsible officers accountable for non-compliance.*

2.5 Stalled Projects

14. Stalled projects have been a recurring concern from across the 6 FYs, signaling inefficiencies in project planning, execution, and monitoring. These delays not only result in cost overruns

but also hinder the achievement of strategic objectives and service delivery. The lack of timely decision-making and inadequate resource allocation appear to be key contributing factors.

The Committee recommends that: -

- (i) Special audit taking stock of their values, completion status and the legality to be done for the stalled projects in three months upon adoption of this report by the House and submit a report to the committee.*
- (ii) Management to develop and implement a comprehensive project completion strategy that prioritizes stalled projects based on criticality and available resources. This can be achieved through a formal request of supplementary capital development funding from the National Treasury through the Ministry of Education, accompanied by audit findings and a prioritized project completion plan.*
- (iii) Clear with the pending projects before undertaking any new project*

2.6 Irregular Use of University Land by Undisclosed Private Investors

15. The Committee notes that the process surrounding the allocation and use of a substantial portion of Egerton University land (2,000 acres) for purposes related to the Presidential Directive on National Food Security was marked by significant procedural, governance, and compliance shortcomings that disadvantaged the University and exposed it to a risk of losing their land to illegal parties (*see full details in Paragraphs 602-622 of this Report*). Specifically, the initiative was hijacked by Undisclosed Private Investors (*allegedly by agents of Cropsoko*) who cultivated the University land and took the entire harvest. Moreover, The Committee observes that the presence of multiple ongoing land disputes before the Environment and Land Court, and fraudulent claims supported by fake documentation, highlights a heightened vulnerability of the University land to encroachment and irregular occupation.

The Committee recommends that: -

The committee recommends that management immediately regularize the use of the land by obtaining requisite approvals from the National Land Commission and the National Treasury and ensure that any engagement with private entities is formalized through legally binding lease agreements. Otherwise, the Accounting Officer should have full proper and full control of the land pursuant to Regulation 139 of the PFM (NG) Regulations, 2015 by implementing strict access controls and monitoring mechanisms, including CCTV surveillance and periodic audits, to prevent

unauthorized occupation. A comprehensive compliance report should be submitted to the Committee within 3 months upon the adoption of this report by the House.

CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EGERTON UNIVERSITY FOR THE FINANCIAL YEARS 2018/19 TO 2023/24

Prof. Isaac O. Kibwage, PhD, HSC, Vice Chancellor, accompanied by: -

- i) Prof. R.S Mulwa -DVC(AFP)
- ii) Prof. B.O Aduda – DVC (ARE)
- iii) CPA Charles K. Wanjohi – Finance Officer

Appeared before the Committee to adduce evidence on the audited accounts of Egerton University, on 2nd September 2025.

1.0 Audited statements for Financial Year 2018/19 (Qualified Opinion)

Report on Financial Statements

1.1.1 Non-Disclosure of Material Uncertainty Related to Going Concern

1. The statement of financial performance reflects a deficit of Kshs.1,600,496,151 (2018 – Kshs.928,068,236) resulting into an accumulated deficit of Kshs.2,042,432,562 (2018 – Kshs.468,266,306). Further, the current liabilities balance of Kshs. 4,586,329,195 (2018 – Kshs. 3,122,196,450) is in excess of the current assets balance of Kshs.1,805,894,079 (2018 – Kshs.1,720,241,970) by Kshs.2,780,435,116 (2018 – Kshs.1,401,954,480). This is indicative of the continued deterioration of the working capital position. Management has not disclosed the material uncertainty that casts significant doubt in the ability of the University to continue to sustain services as required under Paragraph 38 of IPSAS 1 – Presentation of Financial Statements.
2. Consequently, the financial statements as presented are not in compliance with the standards.

Management Response

3. The management disclosed the university inability to meet its short-term financial obligations and its material uncertainty in relation to sustainability of services under management discussion and analysis section. This situation is as a result of effects of GOK under-funding and reduction in Appropriation in Aid over the years.
4. The financial challenges faced by the university have been caused by reduction in government capitation since 2016, drastic reduction in enrolment in self-sponsored programs which generated extra income to the university. Also, salary increments due to Collective Bargaining Agreement awards led to accruing deficits.
5. To sustain the university and ensure it continues delivering its mandate, the university management has instituted austerity measures through introduction of a number of cost reduction and expenditure management strategies as well as measures geared towards improved income generations.
6. From the financial year 2019/2020 to the present, the university has taken aggressive steps to deal with this situation by instituting strict austerity measures which have resulted in annual savings in excess of **Kshs.100 million. Interventions to improve financial situation.**
 - i) Reductions in the payroll cost, through the non-replacement of staff who leave and the non-renewal of contracts for non-core staff, resulting in reduction in staff numbers by 565 from 1,812 in June 2019 to 1,247 in February 2025. As explained above, some of the cost savings arising from this reduction in numbers have been reversed by the payroll increases due to inadequately funded CBAs.

- ii) Increased teaching load for academic staff from September 2021, which has saved the university a total of **Kshs.69 million** annually in part time teaching costs.
 - iii) Relinquishing rented spaces in Nakuru city resulting in savings of up to **Kshs.65.2 million** per year in rent expenses.
 - iv) The closure of Nairobi City Campus in September 2020 resulted in savings of up to **Kshs.76.7 million** per year in rent expenses.
 - v) Suspension of tuition waivers for staff and dependants, saved about **Kshs.14.3 million** annually from 2020.
 - vi) Revamping of income generating activities has helped to enhance revenue on average by up to **Kshs.8 million** annually. Efforts continue to be made in enhancing revenue from revamped units and new revenue streams.
 - vi) Implementation of reforms in operational and administrative structures aimed at making operations more efficient and cost-effective.
7. The above interventions have resulted in the reported deficit being on a reducing trend over the last three years as indicated in Table 1.

Table 1: Trend of Operational Deficit over the last three years

Financial Year	2023/2024	2022/2023	2021/2022
Deficit (in Kshs.)	(18,729,138)	(706,583,686)	(1,527,902,227)

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

- 8. The above trend is an indication that the university will become fully sustainable in the near future.
- 9. Finally, with the introduction of the New Funding Model (NFM) in the FY 2023/2024 it is expected that when all the students under old model are phased out, the university will begin posting positive returns.

Committee Observations

- 10. As indicated in Table 1, the University is making progress in reversing the negative working capital trend through various financial interventions such as reductions in the payroll costs, closure of campuses in Nairobi and Nakuru resulting in a saving of **Kshs.141.9 million** and revamping of income generating activities just to name a few.

Committee Recommendation

- 11. The progress made is encouraging and the OAG should keep an eye and report on further improvements in next audit cycle.

1.1.2 Staff Cost

- 12. As disclosed in Note 13 to the FSs, the statement of financial performance reflects a balance of Kshs.3,395,430,455 under staff costs which includes an amount of Kshs.150,510,964 relating to gratuities. However, the detailed listing indicating the members of staff and amounts owed was not provided for audit.
- 13. In the circumstance, the accuracy and validity of the reported staff expenditure of Kshs.3,395,430,455 could not be confirmed.

Management Response

- 14. The detailed listing for the gratuities amounting to Kshs.150,510,964 as reported indicating the members of staff and amounts owed was provided to the auditor who subsequently verified it.

Committee Observations

15. Through the submissions made by Management, the Auditor confirmed that the issue has been addressed.

1.1.3 Receivables from Exchange Transactions

16. As disclosed in Note 25 to the financial statements, the statement of financial position reflects a balance of Kshs.1,363,081,043 under receivables from exchange transactions. The following observations were made regarding the balance:
17. **Outstanding Imprest:** Included in the balance is outstanding imprest amounting to Kshs.72,466,779 of which amounts of Kshs.7,405,439 and Kshs.33,769,938 had been outstanding for over five (5) years and thirty (30) days respectively. Further, imprest totalling Kshs.5,303,385 was issued to members of staff before surrendering the previously issued amounts contrary to Regulation 93 (8) of the PFM (NG) Regulations, 2015.
18. **Student Debtors:** Included in the balance is student debtors' amount of Kshs.869,999,599 which increased by Kshs.47,836,668 from Kshs.822,162,931 reported in the previous year. However, Kshs.804,995,489 or 93% of the student debtors balance had been outstanding for a period exceeding one (1) year. Management attributed the increase to students sitting for exams and graduating in spite of the fee balances. Evidence of measures put in place to address the issue were not provided in spite of the fact that the issue was reported in the prior year.
19. In the view of the foregoing, the accuracy and recoverability of the reported receivables from exchange transactions balance of Kshs. 1,363,081,043.00 could not be confirmed. In addition, the adequacy of the provision for bad debts amounting to Kshs. 8,707,201 could not be confirmed.

Management Response

20. **Outstanding Imprest:** While imprests were indeed outstanding as indicated, their recoverability is not in doubt, particularly in so far as the staff in question is an employee of the University who is still in service.
21. We do make recoveries from the staff salaries of any overdue outstanding imprests according to the regulations. However, such recoveries can take long to complete the full recovery of outstanding imprest and interest thereon, depending on the amount of imprest taken and staff grade. Where we have doubts about the recoverability of the imprests e.g., where the staff imprest holder is deceased etc., we have made provisions for such in the financial statements.
22. The university Appointed a debt committee to investigate and prepare a report on these imprests with a view of making a definitive cause of action. The university is in the process of seeking approvals for the write off imprests for deceased staff as recommended by internal audit and approved by the university council.
23. In the FY 2018/2019, A member of staff could only take a second imprest after approved by the Deputy Vice Chancellor (APD) under only for special purposes. The management however noted this was in contrary to Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015 hence the revision of the University Financial Rules & Regulations in compliance with PFM Regulations 2015, where no staff is now allowed to take more than one imprest at a time.
24. **Student debtors:** The list of students' debtors outstanding on 30th June 2019 per campus and their current status has been provided to the auditor for review. The high level of student debtors has been of great concern to the university management, and several measures have been put in place to address this issue.
25. From the FY 2018/19, the management completed the implementation of a student's Academic Records Management System, which incorporates both Academic and financial records. The

system has helped improve fee collection, which indicates that there are practically almost no outstanding debts pertaining to the subsequent cohorts of students.

26. A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far, the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council which has recommended a write off.
27. The university is making every effort to collect the balance of the debts outstanding including publication in the local dailies and the university website a notice of de-registration of all students who have exceeded their study time. The response to the notice has been positive as many students have normalized their accounts and will result in payments of part of those long outstanding balances.
28. The university makes provisions at the rate of 1% of general and student debtors as per the Debt & Credit Policy, and when necessary, makes specific provisions for bad debts.

Committee Observations

29. **Outstanding imprest**-Through the submissions made by Management, the Auditor confirmed that the issue has been addressed as evidenced by the steps the institution has taken to settle the imprest and confirmed that the imprest was not issued to staff with balances.
30. **Student debtors**-issue is still pending because the student debts is still pending. Currently, the students with balances in the FY have cleared for them to graduate. In subsequent years the issue has been still recurring but students with debts do clear for them to graduate.

Committee Recommendation

31. Management should always ensure that in future they do comply fully with Regulation 93 (8) of the PFM (NG) Regulations, 2015 which stipulates that staff should not be issued another imprest before surrendering the previously issued amounts.
32. Regarding student debtors, Management should continue with the recovery measures put in place to keep the figure low. Auditor to monitor in the next audit on the effectiveness of the measures put in place.

1.1.4 Agricultural Assets

33. As previously reported, the University revalued its agricultural assets in the financial year 2017/2018 resulting to a downward adjustment of Kshs.7,447,372 resulting in a closing balance of Kshs.28,093,375. The resultant loss has not been supported by a reconciliation of changes in the carrying amount of biological assets at the beginning and at the end of the financial period in accordance with the requirements of Paragraph 28 of IPSAS 27.
34. Consequently, the accuracy and completeness of the agricultural assets balance of Kshs.28,795,285 could not be confirmed.

Management Response

35. During the year under review, there was a dry spell that negatively affected the body condition scores and productivity of the dairy animals (dairy cows needs at least 12 months to completely recover from environmental shocks). These resulted to animals in lower parities (non-progeny tested) and with low body condition scores. There have also been lots of imports of in-calf heifers in the market. This has resulted to drastic drop in prices of locally bred dairy cattle compared to 2016/2017. Currently locally bred pedigree cows fetch between Kshs.120,000-200,000 depending on productivity and the above-mentioned factors. Therefore, when all these factors were taken into account the value of dairy cattle in Tatton Agriculture Park (TAP)

drastically dropped. The workings reconciliation supporting the movement of biological assets resulting in the reported loss was provided to the auditor who subsequently verified the same.

Committee Observations

36. Through the submissions made by Management, the Auditor confirmed that the issue has been addressed because the resultant loss has been fully supported by a reconciliation of changes in the carrying amount of biological assets at the beginning and at the end of the financial period in accordance with the requirements of Paragraph 28 of IPSAS 27.

1.1.5 Property, Plant and Equipment (PPE)

37. The statement of financial position reflects a balance of Kshs.5,403,901,671 under PPE as at 30 June, 2019. The following issues were noted regarding the balance:
38. **Fully Depreciated Assets:** The reported net book value excludes assets with a historical cost of Kshs.1,299,813,838 which though fully depreciated, continues to accrue economic benefit to the University. The assets have not been revalued for incorporation in the financial statements.
39. **Land Ownership:** As reported previously, the PPE balance includes parcels of land valued at Kshs.1,186,094,800 of which an amount of Kshs.226,833,300 relates to three (3) parcels of land without ownership documents. Although Management explained that the process of acquiring ownership documents for the land parcels was at an advanced stage, no documentary evidence to confirm this fact was provided.
40. In the circumstances, the accuracy, valuation and ownership of the reported property, plant and equipment balance of Kshs.5,403,901,671 could not be confirmed.

Management Response

41. **Fully Depreciated Assets:** Management is aware of the fully depreciated assets in the Assets Register and in use and revaluation will be conducted in due course when funds will be available. The management has already commenced the revaluation of the University fixed assets; so far, the government valuers from the Ministry of Lands, Public Works, Housing, and Urban Development have already concluded revaluations of lands and buildings. These balances will be updated in our financial statements once adopted and approved by university council.
42. **Land Ownership:** According to the University records, the University does not have title deeds for two parcels of land namely: -
 - (i) **Lamu Mpeketoni** – Although the University holds an Allotment letter on the land, it has made a request to the National Land Commission in writing sometimes in 2014 requesting the issuance of title for this land. Several follow-ups have been made by the University officers to the said office in 2019. In the FY 2023/2024 the university tendered for a land Agency to acquire title deed for this land, but the tendering process was terminated due to inadequate budgetary allocation. The university is also following up the issue with the National Land Commission to assist in issuance of title deed.
 - (ii) **Lord Egerton Castle land – L.R No. 16672/37** - The Church through a presidential decree agreed to cede off 19.9 acres of land to the University as a result of which the Church will remain with 9 acres from the 28.35 acres. Out of the remaining land, the Church agreed to sell 3 acres of it to the University where a deposit of Kshs.1,578,300 was paid and the transfer process of the said land was halted by three interested parties who are laying claim over it. The duly signed part development plans could not proceed to full circulation following placement of a restriction on the title by the interested parties. The University has followed up with the church and held several meetings with

the sole aim of trying to resolve the issue and even resorted to the intervention of the Deputy County Commissioner Rongai to help resolve the issues.

43. The University and the Church have now agreed on how to proceed with the matter emphasis being made first on the facilitation of university securing title for the 19.9 acres' which is not contestable and under use by the university and one acre equivalent to the purchase price already paid by the University to the Church.

Committee Observations

44. **Fully Depreciated assets:** The auditor confirmed that this issue has been resolved because the revaluation of the assets was conducted by the government valuers from the Ministry of Lands, Public Works, Housing, was adopted and approved by the university council and later balances in the FSs have been updated.
45. **Land ownership:** The issue is still pending since they haven't obtained the ownership documents for the two parcels. However, it is important to note that the university is making efforts to obtain the ownerships documents despite financial and contestation challenges.

Committee Recommendation

46. Management given one month from the time of adoption of this report to address the land ownership issue and have it settled for the two parcels of land and Auditor to confirm if this would have been concluded in the next audit cycle.

1.1.6 Unsupported Investments

47. The statement of financial position reflects an investments balance of Kshs.150,126,156 (2018 - Kshs.150,477,691). As disclosed in Note 29 to the FSs, the investments comprised Kshs.207,249 relating to 52,468 ordinary shares held at Kenya Airways and a long-term loan to Egerton University Investment Company amounting to Kshs.149,918,907. However, the share certificates were not availed for audit review neither was the resolution of the University Council to extend the loan provided.
48. In the circumstance, the existence and ownership of the investments balance of Kshs.150,126,156 could not be confirmed.

Management Response

49. We agree with the auditor's observation. A letter was written to Kenya Airways on 23rd November 2021 to confirm the status of the shares. The University received a letter confirming the existence of KQ shares and that the university truly owns the shares.
50. Egerton University Investment Company is a company fully owned by Egerton University and the university has full control of its management. A transaction made between the two parties is a related party transaction. The loan given to Egerton University Investment Company as a startup capital was approved as follows:-
 - (i) 82nd University Council meeting held on 29th Jan. 2013 approved Kshs.70,000,000
 - (ii) 86th University Council meeting held on 15th Aug. 2013 approved Kshs.74,000,000
 - (iii) 94th University Council meeting held on 25th Nov. 2014 approved Kshs.10,600,000
 - (iv) 133rd University Council meeting held on 22nd Aug. 2017 approved Kshs.4,719,907
 - (v) 162nd University Council meeting held on 28th Feb. 2020 approved to convert the said loan to an investment.

Committee Observations

51. Issue is pending: KQ have acknowledged that Egerton owns the shares.
52. The issue of the loan has been cleared up since the investment company has been taken over by the University hence the loan has been taken over by University Management.

Committee Recommendation

53. The Council to disengage from administration roles in land and the Investment Company. The Investment Company to be dissolved and Management to assume full responsibility for managing investments directly in an efficient and prudent manner for the University to make money from it.

1.1.7 Unbanked Revenue on Other Services Rendered

54. The statement of financial performance reflects a balance of Kshs.168,013,900 under revenue from exchange transactions. Included in the balance is an amount of Kshs.25,880,354 on account of meals - catering income. However, only an amount of Kshs.12,873,073 was banked leaving out the remaining balance of Kshs.13,007,281 unbanked.
55. In the circumstances, the accuracy and validity of the revenue from exchange transactions - other services rendered balance of Kshs.168,013,900 could not be confirmed.

Management Response

56. The University accounts for the income using the accrual method of accounting, thus we recognize all income from cash received and invoices issued. Therefore, Kshs.3,007,281.00 which appeared unbanked during the year 2018/19 was sales on credit which were paid up in the subsequent years.
57. An extract of the approved journal passed to amend the account.

Committee Observations

58. Issue is still outstanding: Proper reconciliation was not done resulting to a risk of loss of the monies.

Committee Recommendation

59. The Committee recommends that this matter be formally referred to the Ethics and Anti-Corruption Commission (EACC) and the Directorate of Criminal Investigations (DCI) for immediate investigation. Further, the Committee reprimands the former Finance Officer for failing to ensure that all collected monies were duly banked, thereby exposing the University to the risk of financial loss.

1.1.8 Trade and Other Payables

60. As disclosed in Note 30(a) to the FSs, the statement of financial position reflects a balance of Kshs.3,184,421,313 under trade and other payables. Included in the balance are payroll, WHT and VAT payables of Kshs.1,977,626,598, Kshs.9,763,935 and Kshs.23,124,930 respectively. The amounts were not paid to the KRA on the stipulated dates thus exposing the University to the risk of punitive interest and penalties.

Management Response

61. As correctly observed, the university was unable to pay all statutory deduction in time during the year hence being exposed to the risks of interests and penalties. This was occasioned by continued reduction in recurrent capitation in the last 6 years; **despite** the review of salaries via CBAs 2009-12 and 2013-17. Ministry of Education through its letter dated 4/7/19 referenced MOEST/FIN/11/21 Vol. XIII/ (220) communicated the purpose of the supplementary II FY 2018/19 budget funding to apply to 2013/17 Collective Bargaining Agreement. The University received Kshs.348,975,754.25 on 9.7.2019. The amount was to be applied to Kshs.1,756,477,642.23 salary deductions, and so the bills could not be fully settled.
62. The University management engaged with KRA, and a payment agreement was entered into hence reducing the risks of punitive measures from them. Tax compliance certificate for the 12 months' period ending 30th January 2025 has been attached as a prove that the university has been meeting its tax obligations as per the agreement entered with KRA.
63. Currently all the university pending bills up to June 2022 have been forwarded to the Pending Bills Verification Committee with a possibility of bailed out from the government. A summary

of Egerton University pending bills as at 30th June 2022 forwarded to the pending bills committee is shown in Table 2.

Table 2: Summary of Egerton University pending bills as at 30th June 2022 forwarded to the pending bills committee

Entity Name: Egerton University							State Department of H
No.	Financial Year	Vendor	Statutory Obligations (A)	Goods (B)	Services (C)	Total (A+B+C)	Remarks
			Kshs	Kshs	Kshs	Kshs	
Category 1 : Recurrent							
1	FY2021/22	HUMAN RESOURCE	8,703,608,095			8,703,608,095	Awaiting Availability of Funds
2	FY2021/22	SUPPLIERS		185,985,093		185,985,093	Awaiting Availability of Funds
3	FY2021/22	PARTTIME LECTURERS			390,958,233	390,958,233	Awaiting Availability of Funds
4	FY2021/22	THIRD PARTY AND OTHER LIABILITIES		585,804,085		585,804,085	Awaiting Availability of Funds
Sub-Total			8,703,608,095	771,789,177	390,958,233	9,866,355,505	
Category 2 : Development							
5	FY2021/22	CONSORTIUM	NTCC Teaching Complex Cons	110,105,947		110,105,947	Awaiting Availability of Funds
Sub-Total				110,105,947	-	110,105,947	
Grand -Total (Cat 1+Cat 2)			8,703,608,095	881,895,125	390,958,233	9,976,461,453	

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

Committee Observations

64. The issue is still pending. However, management have an arrangement with KRA to clear this. 2019-the debt was 800 million which they cleared to 200 million and then last year they have an undertaking with KRA to clear this until they get stable. It is important to note that, from Jan 2024 to present the University has made impressive progress in clearing the amounts as and when they occur.

Committee Recommendation

65. OAG to keep an eye to ensure this is cleared in the subsequent audit cycles since management has an understanding with the payees concerned to clear the amounts.

Other Matters

1.1.9 Budget Control and Performance

66. The statement of comparison of budget and actual amounts reflects a final receipts budget and actual on comparable basis of Kshs.3,927,784,185 and Kshs.3,849,367,191 respectively resulting in under collection of Kshs.78,416,984. The statement also reflects a total expenditure of Kshs.5,447,331,207 against an approved budget of Kshs.4,707,421,754 resulting into unauthorized expenditure amounting to Kshs.739,909,453 or 16%.

Management Response

67. Income Variances

- (i) The tuition & related income was under collected by Kshs.78,416,984 due to reduction student numbers both government's sponsored and self-sponsored programmes (SSP). From the KCSE of 2016 all the students who attained C+ and above were placed under government sponsorship hence reduction in incomes from SSPs. This also affected other related income mostly IGUs.

68. Expenditures Variances

- (i) The Government reviewed its initial funding of Kshs. 1,520,253,734 to Egerton University in its supplementary II to Kshs.1,838,824,413 which now became the

university's GoK recurrent funding budgeted and not the earlier figure. This review was, however, not adjusted in the financial report as correctly observed by the auditors. The additional funding of Kshs.318,570,679.00 under supplementary II had the effect of increasing our approved budget from Kshs. 4,707,421,754 to Kshs. 5,025,992,433.00. Lessing the amount of Kshs.126,297,095.00 depreciation charged to the Accounts, the amount that was spent above the approved budget is thus Kshs.295,041,679 which is equivalent to 5.8%.and within the allowable threshold.

(ii) Research incomes reported positive inflows than had been anticipated except Tegemeo institute. The increased research income also led to overspending than budgeted for since it was to be spent within the donors' timelines.

69. During the year 2018-2019, the university operated in a very constrained budgetary environment in light of reduced GoK funding. The university operated with a deficit budget at the start of the financial year of Kshs.789 million, anticipating additional GoK funding during supplementary budget amounting to more than Kenya shillings One billion. However, the amount received during supplementary was only Kshs. 348 million. As a consequence, some of the budget lines were constrained beyond their actual reality.

Committee Observations

70. The under collection was due to low reporting numbers from the initial projections.

Committee Recommendation

71. The institutions should strive to stop overreliance on exchequer and should strive to be self-reliant by leveraging approximately 3,000 acres of available land for income-generating activities. This includes agricultural, commercial, or strategic leasing ventures aligned with institutional mandates.

1.1.10 Tegemeo Institute Financial Performance

72. The statement of financial performance reflects an amount of Kshs.54,070,069 being revenue receipts from Tegemeo Institute. This represents a decrease of Kshs.124,048,783 or 69% when compared to receipts of Kshs.178,118,852 reported in the previous year. Further, the Institute's expenses of Kshs.106,465,272 (2018- Kshs.181,266,557) did not decline in tandem with revenue reduction resulting to a loss of Kshs.52,395,203. Management has not explained the measures they will put in place to reverse the trend to ensure sustainability of the Institute's services.

Management Response

73. The Tegemeo institute is a research institute that operates from donors' funds. The excess expenses of Kshs.52,395,203.00 indicated as loss for TEGEMEO institute, were taken care of from the previous years' surpluses included in the opening deferred incomes of Kshs.55,010,389.00 shown in note 31b of the financial statement 2018/2019.
74. The Management acknowledges the concern about reduced income and is doing all it can to continue resource mobilization activities. The process between proposal development and contract signing often takes too long, and it may be beyond the institute control. Contracting for one of the projects that we bid for from the government of Kenya early 2018, KCSAP, for instance, took more than 18 months. The other project, NARIGP, also funded by the government, is yet to be contracted, even though; the project was awarded last financial year.

Committee Observations

75. The institute is self-financing. Some of the decisions made resulted in poor performance. Currently, they are being hosted by the institution and management has put measures in place to address this.

Committee Recommendation

76. The Office of the Auditor-General (OAG) shall monitor and evaluate the effectiveness of steps taken by the institution to mobilize additional resources beyond donor funding in the next audit cycle.

Report on Lawfulness and Effectiveness in Use of Public Resources

1.1.11 Stalled Projects

77. The statement of financial position reflects a balance for PPE of Kshs.5,403,901,671 (2018-Kshs.5,093,798,809) which, as disclosed in Note 28(b) to the FSs, includes a WIP balance of Kshs.1,897,419,465. However, the WIP balance includes Kshs.321,389,961 for stalled projects and Kshs.375,171,489 in respect of a University Library contract valued at Kshs.2,129,001,805 and signed on 20 June, 2017, with an estimated completion date of 20 June, 2020. Although the value of works certified agreed to the balances, the work progress was behind schedule and may not be completed within the stipulated time. A site visit in October, 2019 revealed that no work was ongoing as the contractor was not on site.
78. Delays in completion may lead to cost escalations and the University may not get value for money on the stalled projects.

Management Response

79. The audit observation is valid. The university has had many stalled projects over many years. However, all efforts have been made to complete these projects within the university financial capability. The University will endeavour to complete the remaining stalled projects as funds become available. The university has for a long time been requesting for financial support on capital development over the years and has not received a reasonable allocation to support the budget or receive funding for other specific projects.

Committee Observations

80. Lack of adequate capital development funding is the main cause of prolonged delays in project completion may result in cost escalations, compromised value for money, and erosion of public trust.

Committee Recommendation

81. Management should implement a phased approach to project completion and funding by prioritizing projects based on their strategic significance, sunk costs, and readiness for completion, with clear timelines and budget estimates. Additionally, the university should formally request supplementary capital development funding from the relevant authorities, accompanied by audit findings and a prioritized project completion plan.

1.1.12 Irregular Staff Recruitment and Payments

82. During the year under review, the University recruited two adjunct professors, a lecturer and a tutorial fellow at a payroll cost of Kshs.7,299,384 without advertising contrary to Section B.4 of the Public Service Commission - Human Resource Policies and Procedures Manual for the Public Service which provides for advertisement of all vacant posts. Further, the University engaged two (2) more lecturers and a tutorial fellow on one-year contracts at total cost of Kshs.5,062,590 despite the employment freeze by the University Council. In addition, a professor within the Department of Biological Sciences was paid Kshs.2,096,483 for the period July, 2018 to January, 2019 before reporting to duty.
83. In the circumstance, the regularity on payroll cost of Kshs.14,458,457 could not be confirmed.

Management Response

84. **Recruitment without advertising:** *The university had placed an advert for the positions. The extracts of the advert on 23rd May 2019 on both website and newspapers are attached for Audit reference.*
85. **Two lecturers and a tutorial fellow on one-year contracts - Kshs. 5,062,590.00:** *The employment of two lecturers and a tutorial fellow was because the said freeze by the government on employment in public service had exempted Academic Staff and security officers. Besides, these lecturers were hired to replace those who had left, which was further exempted by the freeze.*
86. **Professor in the Department of Biological Sciences:** *The Late Prof. Joseph Mwangi Macharia did not report to duty during the period observed by the auditors due to ill health. The professor was subsequently retired on medical grounds with effect from August 7th 2019 as per the recommendations of the medical board.*

Committee Observations

87. Professor within the Department of Biological Sciences was paid Kshs. 2,096,483 for the period July, 2018 to January, 2019 before reporting to duty was unwell was being paid while on medical leave. Was retired on medical grounds. Unfortunately, the professor died.

Committee Recommendation

88. Within three (3) months of adoption of this report by the House, the OAG to carry out retrospective payroll audit on the Kshs.14,458,457 flagged, with a view to confirming validity, recovering any irregular payments, and identifying systemic control gaps.
89. Additionally, going forward the University should ensure full compliance with Public Service Commission guidelines, including mandatory advertisement and competitive selection for all positions.

1.1.13 Excessive Council Meetings

90. As disclosed in Note 14 to the FSs, the statement of financial performance reflects a balance of Kshs.22,937,292 under Council expenses. Review of records in support of the expense revealed that the Council held 50 meetings, (35 scheduled and 15) against the planned number of 21 in accordance with its calendar. No explanation has been provided for the excessive meetings.
91. The University Council did not therefore adhere to the set calendar of events for the year.

Management Response

92. The university has provided a list of all the council meetings held during the year under review and justification thereof in light of the matters that needed council attention and discussion during the year under review. The university also seeks and received approval for the extra meetings.

Committee Observations

93. For the extra meetings no formal documentation was presented to substantiate the necessity, approval process, or cost-benefit justification for the deviation. This raises questions about governance discipline, cost control, and adherence to institutional planning frameworks.

Committee Recommendation

94. Within three (3) months of adoption of this report by the House, the OAG to conduct a retrospective audit for the 15 unapproved meetings to calculate the costs associated with the excess meetings and to determine the surcharge for recovering the irregular payments.

Report on Effectiveness of Internal Controls, Risk Management, and Governance

1.1.14 Lack of an Offsite Data Recovery Centre

95. The University does not have an offsite data recovery center despite its heavy dependence on information technology to run its business. In the event of a disaster, the business operations of

the University may be interrupted for a significantly long period of time while the risk of failing to recover is high.

Management Response

96. The disaster recovery site currently is established at KENET, and one application like E-Learning have already been pushed to the site. The configurations and setups for other systems and the database are ongoing. The contract with KENET was provided and verified by the auditor. Configurations and setup are currently being done application by application.

Committee Observations

97. The disaster recovery site has been established at the Kenya Education Network (KENET). The auditor reviewed and verified the contract with KENET, confirming that the issue is being adequately addressed.

2.0 Audited statements for Financial Year 2019/20 (Qualified Opinion)

Report on Financial Statements

3.1.1 Non-Disclosure of Material Uncertainty Related to Going Concern

98. The statement of financial performance reflects a deficit of Kshs.524,726,286 (2019-Kshs.1,600,496,151) resulting to accumulated deficit of Kshs.2,191,107,178 (2019-Kshs.2,042,432,562). Further, the current liabilities balance of Kshs.4,729,573,717 exceeds current assets balance of Kshs.2,047,091,649 resulting to a negative working capital of Kshs.2,682,482,068. Management has not disclosed the material uncertainty to going concern in the notes to the financial statements as required by the standards, which casts significant doubt in the ability of the University to continue as a going concern.
99. Consequently, the continued survival of the University as a going concern is dependent on continued Government and creditors support.

Management Response

100. The University Management takes note and will ensure all disclosures are made as required by standards. The University being a public institution is however not in significant doubt in the ability to continue to sustain services despite facing the financial challenges as noted by the auditors.
101. The financial challenges faced by the university have been caused by reduction in government capitation since 2018, reduction in parallel programs which generated extra income to the university, salaries increase due to CBA negotiations which consumed all the university savings.
102. To sustain the university and ensure it continues offering its mandate, the university has employed a number of cost reduction and expenditure management strategies as well as measures geared towards improved income generations through the following interventions: -
103. **Interventions by the university to improve financial situation:** From the year 2020 to the present, the university has taken aggressive steps to deal with this situation by instituting strict austerity measures which have resulted in annual savings in excess of **Kshs.100 million**. Some of the measures include:
 - The reductions in the payroll cost, through the non-replacement of staff who leave through natural attrition and the non-renewal of contracts for non-core staff, resulting in reduction in staff numbers by 705 from 1,952 in June 2017 to 1,247 in February 2025. As explained above, the cost savings arising from this reduction in numbers have been reversed by the payroll increases due to unfunded CBAs.

- The university increased teaching load for academic staff, which has saved the university a total of **Kshs.69 M** annually, from September 2021, in part time teaching costs.
104. Reduction in rented spaces in Nakuru city has saved the university up to **Kshs.65.2 M** per year in rent expenses. This strategy is ongoing and the university plans to completely out of all rented spaces. Currently the university is only paying **Ksh.2,743,200** per year on rented space.
- Through the suspension of staff tuition waivers, the university raised an additional **Kshs.14.3 M** annually in revenue from 2020.
 - Revamping of other income sources has helped to enhance revenue for the university by up to **Kshs.8.4 M** annually so far and effort continues to be put toward enhancing revenue from all sources.
105. Further to the above measures, the university is currently implementing reforms to its operating and administrative structures aimed at making operations more efficient and cost-effective.
106. With the introduction of the New Funding Model (NFM) in the FY 2022/2023 it is expected that when all the students under old model are phased out, the university will begin posting positive returns.

Committee Observations

107. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.2 Inaccuracy in Cash in Hand and in Bank

108. As disclosed in Note 24(a) to the FSs, the statement of financial position reflects cash in bank and in hand balance of Kshs.461,915,491. A review of the bank reconciliation statements revealed unreceipted deposits amounting to Kshs.36,809,837. Some of the deposits date back to 2012 and are yet to be recorded in the respective individual payee accounts. Further, analysis of the debits in fee collection bank accounts revealed transfer of Kshs.1,000,000 to an unknown payee.
109. In the circumstance, the accuracy and completeness of cash in hand and in bank balances of Kshs.461,915,491 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

110. The university has put in place a host-to-host system of receipting. Under this system, when the money is received at the bank, it reflects immediately in the students' accounts. This has significantly reduced the unidentified deposits; however, we are working on reducing the old unidentified deposits. During the FY 2023/2024, the government also on-boarded to E-citizen all the services offered by university. This has ensured the students pay fees through E-citizen Portal minimizing further the cases of unidentified deposits.
111. For the amounts that were unidentified in the periods earlier than 2018/19 amounting to Kshs.36,809,837 the university has made effort to identify the depositors and has managed to reduce the amount to Kshs.8,422,654.65 as of June 2024. Efforts to identify the depositors will continue until all the deposits can be matched to the depositors.
112. The amount of Kshs.1,000,000.00 was transferred from Egerton University fees account no.1108550703 (MB002) to Egerton University Confucius Institute account

no.1138143936 (RE45) in the Research and Extension Division, hence it is not a transfer to unknown payee. This was partial refund of Kshs.4,000,000.00 borrowed from the project account on 13 January 2018. Half of the amount was repaid back in two instalments of Kshs.1 million each, first on 12 July 2019 from Egerton university main account vide CHQ no. 158182 and the second being a transfer from *EU Fees account on 11 November 2019 this being the amount queried by the auditors.*

Committee Observations

113. Through the submissions made by Management, the Auditor confirmed that the issue has been addressed.

3.1.3 Long Outstanding - Receivables from Exchange Transactions

114. As disclosed in Note 25 to the FSs, the statement of financial position reflects receivables from exchange transactions balance of Kshs.1,463,908,807. The balance includes student debtors amount of Kshs.953,060,554, an increase of Kshs.83,060,955 from Kshs.869,999,599 as at 30 June, 2019. Analysis of the debtors revealed that 88% or Kshs.835,512,420 had been outstanding for more than 120 days. Although Management explained the increase to be as a result of students sitting for exams and graduating with fee balances, no measures have been put in place for the recovery from students who have completed their course.

115. Further, a comparison of student balances as per the Admission Records Management System (ARMS) and the supporting schedules revealed an understatement of Kshs.78,221,220 due from 490 students. Discrepancies were also observed in the opening balances for 170 students while receipts from 105 students were cancelled from their respective student accounts in ARMS, but the reason for the cancellation was not disclosed.

116. In addition, the balance includes outstanding imprest amounting to Kshs.77,438,613 which includes research debtors of Kshs.50,762,892 that was outstanding since 2013 while an amount of Kshs.8,845,621 in relation to general debtors had no aging analysis to confirm the duration it has been outstanding.

117. In the circumstances, the accuracy, completeness and validity of the receivables from exchange transactions of Kshs.1,498,243,160 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

118. Students who graduated with fee balances are not issued with their certificates until they clear all outstanding fees with the University. Currently, application for graduation is online, and only students who have cleared all fees are cleared for graduation by the Academic Records Management System (ARMS).

119. There were no differences between the Academic Records Management System balances and the schedule provided to support the students' balances as at 30th June 2020. According to our Academic Records Management System (ARMS) there were no differences between the student balances and the supporting schedules of Kshs.78,221,220 due from four hundred and ninety (490) students as indicated by the auditors.

120. The analysis of each variance highlighted in the opening balance for the 170 accounts was done and provided. The analysis of the 105 cancelled receipts and the reasons for cancellation was done and provided.

121. A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far, the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council which has recommended a write off.

122. Imprests are recovered from all active staff on a monthly basis; however, the recovery from staff that have left service has been a challenge task and these continue to be pursued from legal perspective. The university has taken measures to address the issues of imprests held by staff who are no longer in the university service through:
- a) Writing demand notice for outstanding imprests to the respective persons with known addresses.
 - b) The University appointed a debt committee to investigate and prepare a report on these imprests with a view of making a definitive cause of action. The university is in the process of seeking approvals for the write off imprests for deceased staff as recommended by internal audit and approved by the university council.
123. An aging analysis for general debtors was done and provided for the audit. According to this list only Kshs. 600 out of Kshs.50,762,892 research imprest debtor was for the year 2013 the rest being for later to current period of audit.

Committee Observations

124. **Outstanding imprest**-Through the submissions made by Management, the Auditor confirmed that the issue has been addressed as evidenced by the steps the institution has taken to settle the imprest and confirmed that imprest was not issued to staff with balances.
125. **Student debtors**-issue is still pending because the student debts is still pending. Currently, the students with balances in the FY have cleared for them to graduate. In subsequent years the issue has been still recurring but students with debts do clear for them to graduate.

Committee Recommendation

126. Management should always ensure that in future they do comply fully with Regulation 93 (8) of the PFM (NG) Regulations, 2015 which stipulates that staff should not be issued another imprest before surrendering the previously issued amounts.
127. Regarding student debtors, Management should continue with the recovery measures put in place to keep the figure low. Auditor to monitor in the next audit on the effectiveness of the measures put in place.

3.1.4 Agricultural Assets

128. As disclosed in Note 27 to the FSs, the statement of financial position reflects agricultural assets balance of Kshs.36,623,003. However, as previously reported, the University revalued its agricultural assets in the FY 2017/2018 resulting in an adjustment of Kshs.7,827,718 which has not been supported by a reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the financial period in accordance with IPSAS 27-Agriculture disclosure requirements.
129. Consequently, the accuracy and fair value of the agricultural assets balance of Kshs.36,623,003 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

130. The workings supporting the changes in the carrying value of the of biological assets resulting in the reported loss has been done and is available to the auditor for scrutiny. As at the end of the year in June 2020, there were crops in the field hence there was an overall increase in the value of the biological assets by an overall amount of **Kshs.7,837,718**.

Committee Observations

131. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.5 Unsupported Property, Plant and Equipment (PPE)

132. As disclosed in Note 28(a) to the FSs, the statement of financial position reflects PPE balance of Kshs.3,429,672,819. However, as previously reported, the balance includes parcels of land

valued at Kshs.1,186,094,800 out of which an amount of Kshs.226,833,300 relates to 3 parcels of land without ownership documents. Although the Management had indicated that the process of acquiring ownership documents for the parcels is at an advanced stage, no documentary evidence was provided to confirm this.

133. In the circumstance, the ownership of the 3 parcels of land with a balance of Kshs.226,833,300 as at 30 June, 2020 could not be confirmed.

Management Response

134. According to the University records, the University does not have title deeds for two parcels of land namely: -

135. **Lamu Mpeketoni** – Although the University holds an Allotment letter on the land, it has made a request to the National Land Commission in writing sometimes in 2014 requesting the issuance of title for this land. Several follow-ups have been made by the University officers to the said office in 2019. In the FY 2023/2024 the university tendered for a land Agency to acquire title deed for this land but the tendering process was terminated due to inadequate budgetary allocation. The university is also following up the issue with the National Land Commission to assist in issuance of title deed.

136. **Lord Egerton Castle land – L.R No. 16672/37** - The Church through a presidential decree agreed to cede off 19.9 acres of land to the University as a result of which the Church will remain with 9 acres from the 28.35 acres. Out of the remaining land, the Church agreed to sell 3 acres of it to the University where a deposit of Kshs.1,578,300 was paid and the transfer process of the said land was halted by three interested parties who are laying claim over it. The duly signed part development plans could not proceed to full circulation following placement of a restriction on the title by the interested parties. The University has followed up with the church and held several meetings with the sole aim of trying to resolve the issue and even resorted to the intervention of the Deputy County Commissioner Rongai to help resolve the issues.

137. The University and the Church have now agreed on how to proceed with the matter emphasis being made first on the facilitation of university securing title for the 19.9 acres' which is not contestable and under use by the university and one acre equivalent to the purchase price already paid by the University to the Church.

Committee Observations

138. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.6 Unsupported Investment

139. As disclosed in Note 29 to the FSs, the statement of financial position reflects investment balance of Kshs.150,091,002 which constitutes investment of 52,468 Kenya Airways - ordinary shares valued at Kshs.172,095 and long-term loan to Egerton University Investment Company amounting to Kshs.149,918,907. However, Management did not provide share certificates in respect of the 52,468 Kenya Airways ordinary shares as well as the Council resolution to support the decision to extend long-term loan to Egerton University Investment Company value of Kshs.149,918,907 for audit review.

140. In the circumstance, the existence and rightful ownership of the investments balance of Kshs.150,091,002 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

141. We agree with the auditor's observation. A letter was written to Kenya Airways on 23rd November 2021 to confirm the status of the shares. The University received a letter confirming the existence of KQ shares and that the university truly owns the shares.
142. Egerton University Investment Company is a company fully owned by Egerton University and the university has full control of its management. A transaction made between the two parties is a related party transaction. The loan given to Egerton University Investment Company as a startup capital was approved as follows: -
 - (i) 82nd University Council meeting held on 29th Jan. 2013 approved Kshs.70,000,000
 - (ii) 86th University Council meeting held on 15th Aug. 2013 approved Kshs.74,000,000
 - (iii) 94th University Council meeting held on 25th Nov. 2014 approved Kshs.10,600,000
 - (iv) 133rd University Council meeting held on 22nd Aug. 2017 approved Kshs.4,719,907
 - (v) 162nd University Council meeting held on 28th Feb. 2020 approved to convert the said loan to an investment.

Committee Observations

143. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.7 Inaccuracy in Provisions and Accruals

144. As disclosed in Note 30(b) to the FSs, the statement of financial position reflects provisions and accruals balance of Kshs.470,284,219. However, the balance was not supported by detailed schedules. A recalculation of the movement of the balances based on the information provided by the University yielded a balance of Kshs.821,284,597 resulting into a variance of Kshs.351,000,378 which had not been reconciled or explained.
145. In the circumstance, the accuracy and fair statement of accruals and provisions balance of Kshs.470,284,219 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

Management Response

146. The Accruals and Provisions figure of Kshs.470,284,219 is not for accrued Teaching claims only but it includes other accrued expenses in the year under review (Audit fees, Rent, Electricity & Water, Insurance, Medical and Subsistence claims). The schedule supporting Kshs.470,284,219 reported under provisions and accruals was submitted to the auditor who subsequently verified the documentation.

Committee Observations

147. Through the submissions made by Management, the Auditor confirmed that the issue has been addressed because the resultant variance has been fully supported by a reconciliation submitted to the auditor who subsequently verified it.

3.1.8 Trade and Other Payables-Student Prepaid Fees

148. As disclosed in Note 30(a) to the FSs, the statement of financial position reflects trade and other payables balances of Kshs.3,794,374,632 which includes Kshs.314,058,928 in respect to student prepaid fees. A comparison of the balance with the supporting schedule from the Admission Records Management System (ARMS) revealed a variance of Kshs.5,468,924. Opening balances were overstated by Kshs.617,361.
149. Further, the balance includes an amount of Kshs.18,964,770 in respect of unidentified bank deposits. It was observed that the University operated 2 separate bank accounts held in 2 commercial banks to collect students' revenue. Examination of records revealed that the commercial bank system used for this purpose was integrated with the University's ARMS system. However, review of receipt data from ARMS system, revealed that the bank system was not communicating with the ARMS to obtain an updated copy of student numbers.

Instances were observed where the student numbers were wrongly captured by banks or only a part of the student number was captured leading to cases of unidentified deposits.

150. In the circumstance, the accuracy and validity of the reported student prepaid fees balance of Kshs.314,058,928 and unidentified bank deposits of Kshs.18,964,770 as at 30 June, 2020 could not be confirmed.

Management Response

151. The university did not observe the differences between the Academic Records Management System balances and the schedules provided to support the students' balances of Kshs.314,058,928 as at 30th June 2020.
152. Further the opening balance for the year which was the closing balance for the year 2018/2019 was not overstated. The reported student prepaid fees was Kshs.400,717,131.34 and was accurately supported.
153. The university has put in place a host-to-host system of receipting. Under this system, when the money is received at the bank, it reflects immediately in the students' accounts. This has significantly reduced the unidentified deposits. During the FY 2023/2024, the government also on-boarded to E-citizen all the services offered by the University. This has ensured the students pay fees through E-citizen Portal minimizing further the cases of unidentified deposits.
154. The university is however applying all available means to assist in matching the unidentified deposits with the owners. This has resulted in reducing the outstanding balance to Kshs.18,964,770 from Kshs.36,809,837 reported in the financial year 2018/19.

Committee Observations

155. Through the submissions made by Management, the Auditor confirmed that the issue has been addressed because the university has made significant progress in identifying depositors for previously unidentified amounts from earlier periods, reducing the outstanding balance to Kshs.18,964,770 from Kshs.36,809,837 reported in the financial year 2018/19.

3.1.9 Unsupported Other Services Rendered

156. As disclosed in Note 12 to the FSs, the statement of financial performance reflects other services rendered balance of Kshs.358,298,922. Included in this amount are lab tests, drugs and clinical charges balance of Kshs.1,580,555, Kshs.1,482,338 and Kshs.1,171,320 respectively, all totalling to Kshs.4,234,213. However, a review of schedules in support revenue reflected a balance of Kshs.9,414,481 resulting to an understatement of Kshs.5,175,268. The scheduled balances had negative entries totalling to Kshs.24,563,291 which amounts to irregular offsetting expenses against revenues. No reconciliation or explanation has been provided for the above discrepancies.
157. In absence of any reconciliation and explanation, the accuracy and completeness of the revenue from exchange transactions-other services rendered amounting to Kshs.4,234,213 reflected in the statement of financial performance for the year ended 30 June, 2020 could not be confirmed.

Management Response

158. University uses accrual method of reporting its income in the year it is earned and not when it is received. University medical department major clients are staff and students and therefore the bulk of its sales are invoiced. The register being referred to by the audit is a schedule of receipts as recorded by cashier in Medical department which combines cash received for amounts invoiced in the previous periods and current financial years, prepayments and cash sales.

159. Kshs.5,493,648 is the total cash collection for the year 2019-2020 made up of: Previous years Invoices paid-Kshs.4,361,971.00, 2019/2020-year Invoices paid-Kshs.387,928.00 and Cash Sales-Kshs.743,749.00
160. In this case the auditors should not have added the collections for the year and credit sales to get the Kshs.9,414,481 but rather treat the two figures independently.
161. A breakdown of Kshs.5,493,648 indicating the invoice number, invoice date, invoice amount and cash sales for the period was provided to the auditor who subsequently verified it.
162. The total income reported in the year of Kshs.4,234,213 being lab tests, drugs and clinical charges made up of credit sales of Kshs.3,920,833.00 shown by the auditors with the difference being cash sales for the year under review.
163. In relation to negative entries totalling Kshs.24,563,291.00 are not irregular offsetting expenses rather reversal of erroneous billing of students that were reversed during the year hence it is correction of the incomes. During the year students were billed damages, and some were exempted and were already billed hence the reversals.

Committee Observations

164. The Committee notes that Management provided a detailed breakdown of the Kshs. 5,493,648, including the invoice numbers, invoice dates, invoice amounts, and cash sales for the period under review. The auditor subsequently verified this information. Accordingly, the Committee is satisfied that the matter has been fully resolved and requires no further action.

3.1.10 Inaccuracy in Tuition and Related Fees

165. The statement of financial performance reflects tuition and related fees balance of Kshs.986,789,483. According to the Credit and Debt Management Policy dated January, 2014 section 2.1 (a) on mode of payments of fees and other charges payment of tuition fees per semester, the University requires that students pay fees and other charges in advance prior to registration. However, an amount of Kshs.242,043,459.35 was billed at the end of the semester and subsequent semesters. In addition, it was observed that students billed for Kshs.20,216,495 did not register for a new semester but continued to receive academic services contrary to the credit and debt management policy of the University.
166. Further, included in the balance is Kshs.2,569,874 in respect of application fees which comprised of mobile banking and direct deposits to the bank. Analysis of a sample of the data from online application platform and comparison with mobile banking and bank statements revealed that there were 540 applications whose total fee was Kshs.929,884 which were unreceipted and the applications could not be traced to any of the University's bank accounts while 40 mobile banking transactions amounting to Kshs.40,000 in the mobile banking statements were not receipted or banked.
167. In the circumstance, the accuracy and completeness of tuition and related fees amounting to Kshs.986,789,483 reflected in the statement of financial performance for the year ended 30 June, 2020 could not be confirmed.

Management Response

168. The Management has put in place controls to ensure that all students who do not register do not attend classes or sit for exams, or enjoy any service such field trips, field attachments and sporting activities.
169. At the time of audit, the University mobile banking Applications till number 886220 held at Safaricom Ltd had accumulated amount of Kshs.3,074,304, and the amount relating to the year under review of Kshs.2,362,303 (See Note 25a) was accrued in our books as at 30th June 2020. The money was later transferred to the university's bank account in February 2021 and receipted accordingly.

Committee Observations

170. The Committee notes that through the Management response the audit confirmed that the issue has been addressed since the management has put in place controls to ensure that all students who do not register do not attend classes or sit for exams. Moreover, the Kshs. 40,000 that was not receipted has been receipted accordingly.

3.1.11 Unsupported Staff Cost

171. As disclosed in Note 13 to the FSs, the statement of financial performance reflects staff costs of Kshs.3,552,269,890. The balance includes casual labour expenses amounting to Kshs.8,730,774. However, Management provided two schedules in hard copy from human resource and soft copy from finance department in which reflected amounts of Kshs.15,806,831 and Kshs.7,297,953 respectively. No reconciliation was provided between the three sets of records which should otherwise agree. Further, the daily casual register was not provided for audit review.
172. In the circumstance, the accuracy and completeness of casual labour balance of Kshs.8,730,774 included under staff costs in the statement of financial performance could not be confirmed.

Management Response

173. The total amount of casual wages reported was **Kshs.16,955,037** as contained in Notes 13b (Kshs.8,730,774.00), and Note 19, (Kshs.8,224,264.00), - IGU Expenses (income generating units).
174. The schedule from the Registrar (HCA) is the list of approved casuals to be hired by the respective departments, while the figure in the financial statements shows the amount paid to the casuals for actual days worked and therefore reflects the actual expenditure amounts.

Committee Observations

175. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.12 Inaccuracy in MCF TAGDEV Expenses

176. As detailed in Note 22 to the FSs, the statement of financial performance reflects Mastercard Foundation - Transforming African Agricultural Universities to Meaningfully Contribute to Africa's Growth and Development (MCF TAGDEV) expenses of Kshs.117,949,264. However, the schedules provided in support of the project expenditure revealed that the balance constitutes an expenditure of USD1,135,523 which was denominated in US dollar but was aggregated without conversion to Kenya shilling to the amount of Kshs.116,816,799 which was denominated in KES to arrive at the figure of Kshs.117,949,264. The expenditure has therefore, been understated by the exchange difference that would result from conversion of the expenditure in US Dollar to the reporting currency.
177. In the circumstance, the accuracy and validity of the MCF TAGDEV expenses of reflected in the statement of financial performance for the year ended 30 June, 2020 could not be confirmed.

Management Response

178. As at the time of audit, the ERP system did not support multicurrency transactions; hence transactions were captured in US Dollars but at the point of reporting were converted to Kshs. using the exchange rates that were applicable at the date of each transaction. Any exchange difference arising from translation is recognized as Other Gains/Losses under Note 23 of the Financial Statements. This was the best option to translate transactions denominated in USD. This has however been addressed, and the ERP has a working multicurrency functionality.

Committee Observations

179. The Committee notes that through the management responses and evidence presented, the auditor confirmed that the issue is addressed since the ERP now has a working multicurrency functionality that translated transactions denominated in other currencies.

3.1.13 Unsupported Teaching Claims

180. As detailed in Note 17 to the FSs, the statement of financial performance reflects academic department expenses balance of Kshs.147,920,686. Included in the balance is Kshs.55,045,728 in respect to teaching claims (part time lecturers). However, the schedule provided in support of the balance did not have a detailed breakdown of the expenditure with names of lecturer, hours taught and amount payable. Further, the balance includes an amount of Kshs.8,462,300 paid through imprests as field attachment expenses. However, the imprests surrendered vouchers were not supported by documents indicating the nature of work done and particulars of travels. The University does not have in place the prescribed forms for assessment of the students during the field attachment.
181. In the circumstance, the accuracy, completeness and validity academic department expenses of Kshs.147,920,686 could not be confirmed.

Management Response

182. The amount of Kshs.55,045,728.27 is an estimated provision derived from 35% of the SSP tuition income for the year in question, in accordance with the University's SSP Policy. Claims for the year are charged against the provision when received in subsequent periods. As such the expenditure, does not include the names of the lecturers who delivered the services. However, the management has now implemented part time management system module in the ERP. The system will be expected to allocate the units to lecturers and capture hours taught and the corresponding expenditure.
183. Regarding to imprests amounting to Kshs.8,462,300 as pointed out by the auditors is for student field attachment. The imprests are supported by a budget indicating the list of lecturers to be paid and the region they will be visiting to assess the students. The imprests are payments to facilitate the assessors to visit students attached in different parts of the country.

Committee Observations

184. Despite the auditor confirming that the issue is addressed. The Committee noted that the University breached the following:
- a) Regulation 93 and Regulation 104 (1) of the PFM (NG) Regulation, 2015 – failure to maintain supporting documents for vouchers.
 - b) IPSAS 1 – lack of adequate disclosure and supporting schedules.
 - c) Internal SSP Policy – which requires proper documentation of teaching claims.
185. Moreover, the use of estimates (35% of SSP income) without lecturer-level breakdowns undermines expenditure validity. Missing imprest support documents further indicates weak internal controls.

Committee Recommendation

186. The Committee recommends:
- a) The University must operationalize the ERP part-time lecturer module to ensure traceability of hours taught and claims paid.
 - b) All imprests must comply with PFM Regulation 93, including full documentation and surrender.
 - c) OAG to verify implementation in subsequent audits.

3.1.14 Non-Disclosure of Contingent Tax Liability

187. During the year under review, the University signed a debt repayment plan with Kenya Revenue Authority for an accrued PAYE tax liability balance of Kshs.856,741,693. It was agreed that

Kshs.40,000,000 was payable upon execution of the agreement and balance to be paid within twelve (12) months commencing in the month of October, 2019. The University deposited a title deed for a piece of land in Baringo County measuring 642 acres as security and undertook to remit a sum of Kshs.10,000,000 monthly commencing October, 2019. However, the agreed amount is yet to be remitted while the liability has not been disclosed in the financial statements. There is therefore the risk of loss of public assets in case of default.

188. In the circumstances, the accuracy and validity of the financial statements for the year ended 30 June, 2020 could not be confirmed.

Management Response

189. The University has been paying the dues to KRA as per the agreements of 26th September 2019 as amended through an addendum on 30th April 2020. Despite the Covid 19 pandemic challenges, the university made payments and complied with all the terms and conditions of the said Agreement.
190. The University continued paying the debt as per the agreement until December 2023 after which all the pending bills from the year 2005 to June 2022 were referred to the Pending Bills Verification Committee. The latest tax compliance certificate for the 12 months' period ending 30th January 2025 has been attached.

Committee Observations

191. The Committee notes a breach of:
- a) **IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets**, which requires disclosure of contingent liabilities.
 - b) The University's failure to remit PAYE as per the agreed schedule exposes public assets (land title deed) to risk of loss.
192. Management's explanation of ongoing payments is noted, but non-disclosure in the FSs remains a material omission. Management needs to have an understanding with KRA on how to amicably deal with this issue.

Committee Recommendation

193. The Committee recommends:
- a) The University must disclose all contingent liabilities in compliance with IPSAS 19.
 - b) OAG should continue monitoring the KRA arrangement and report any risk of asset loss.
 - c) The University should ensure strict adherence to tax remittance timelines under the Income Tax Act.

3.1.15 Tegemeo Institute Financial Performance

194. As disclosed in Note 31 to the FSs, the statement of financial performance reflects revenue balance of Kshs.56,136,333 from the Tegemeo Institute. This represents an increase of Kshs.2,066,264 or 4% in comparison to the prior year. However, the institute expenses balance of Kshs.71,476,584 were not in tandem with revenue generated resulting into a loss of Kshs.15,340,251. Further, the schedule provided in support of the income revealed a balance of Kshs.51,698,853 which was at variance with the reported amount of Kshs.56,136,333 resulting to an unreconciled difference of Kshs.4,437,480.
195. Management has not explained measures that are being put in place to reverse the trend to ensure sustainability of the Institute services.

Management Response

196. The Kshs.71,476,584 expenses relate to research expenses expended during the year. Some of expended amounts relates to donor money brought forward from the previous year. The

management is however keenly monitoring the performance of Tegemeo Institute for any need of intervention to reduce its operating costs including transferring back the staff on secondment to the University. The Institute currently has new projects, namely; F4APK, AGRO CHEM, Lincoln, UDS, PEFEMA, APRA, GIZ and IDS.

197. The schedules of Kshs.51,698,853 as reported in note 31 was erroneous and was not supporting the amount reported in the financial statement of Kshs.56,136,333.

Committee Observations

198. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Other Matters

3.1.16 Budgetary Control and Performance

199. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparative basis of Kshs.5,412,303,885 and Kshs.4,479,911,274 respectively resulting to under collection of Kshs.932,393,611 or 17%. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.5,233,436,674 and Kshs.5,337,408,020 respectively resulting to over expenditure of Kshs.103,971,346 or 2% of the budget.
200. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

201. There was under collection in revenue due to the closure of the University in March 2020 due to the COVID 19 pandemic. This disrupted the revenue collection as well as the planned activities of the University.
202. The reported over-expenditure amounts to 2% of the total recurrent budget for the year, which is below the 10% tolerable by the PFM regulations. The university has been operating with a deficit budget due to reduction in government funding over the years that has threatened its sustainability.

Committee Observations

203. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.17 Unresolved Prior Year Matters

204. The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparative basis of Kshs.5,412,303,885 and Kshs.4,479,911,274 respectively resulting to under collection of Kshs.932,393,611 or 17%. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.5,233,436,674 and Kshs.5,337,408,020 respectively resulting to over expenditure of Kshs.103,971,346 or 2% of the budget.
205. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

206. The management noted the observation by auditors and is now reporting the status of prior year audit issues as guided in the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1 (44) of 25 June, 2019.

Committee Observations

207. The Committee notes continued recurrence of prior-year issues, indicating non-compliance with PFM Act Section 68(2)(l), which requires Accounting Officers to address audit queries

promptly. Failure to resolve prior-year matters undermines governance and internal control effectiveness.

Committee Recommendation

208. The University must ensure the Audit Committee follow up on the implementation of the recommendations of external auditors as required under Regulation 175 (b) of the PFM (NG) Regulations, 2015.

209. OAG to track closure of prior-year issues and report persistent non-compliance.

Report on Lawfulness and Effectiveness in Use of Public Resources

3.1.18 Non-Remittance of Statutory Deductions

210. As disclosed under Note 30(a) to the FSs, the statement of financial position reflects trade and other payables balance of Kshs.3,794,374,632. Included in the balances are statutory deductions and taxes totalling to Kshs.1,949,189,832 which had not been remitted despite their due dates having long passed.

211. Further, analysis of payroll data revealed that the University deducted Kshs.2,518,950 as statutory payments due to NHIF for the month of April, 2020. However, analysis of bank statements revealed that the Management did not remit deductions on time. This is contrary to Section 18(2) of the National Hospital Insurance Fund Act, 2012 which states that if an employer fails to pay a standard contribution in respect of any person employed by him (a) that employer shall be liable to pay the penalty prescribed in subsection (1), and (b) the employee shall not be liable to any penalty under this section for as long as he is employed by that employer.

212. In addition, Note 13(a) and (b) to the FSs discloses pension employer contribution of Kshs.258,871,658. However, examination of the bank statements for the period revealed that Management only paid Kshs.29,467,574 resulting to an unpaid amount of Kshs.229,570,406. There is no evidence of remittances of employees' contribution for the year amounting to Kshs.129,217,254. This is contrary to Section 53A (1) of the Retirement Benefits Act, 1997 which states that where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

213. Failure to remit the statutory deductions on time may result in the University incurring interests and penalties.

Management Response

214. We agree with audit observation that the University account was debited with the NHIF payments on 11th May 2020, however, as per our records, the payments were made and received on time by the bank on 9th May 2020.

215. The University is facing cashflow constraints and could not meet some of its financial obligations in the financial year when they fell due, however the university commenced remitting all the statutory deductions from January 2024 after receiving additional funding from exchequer for six months of FY 2023/2024 (January to June 2024 totalling to **Kshs.269.4M** (Expected 300m) received on 10th July 2024.

Committee Observations

216. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.19 Irregular Expenditure

217. As disclosed in Note 15 to the FSs, the statement of financial performance reflects an expenditure amounting to Kshs.527,524,264 under administration and central services expenses. A review of the expenditure revealed the following unsatisfactory matters:
218. **Contracted Security Services** -The balance includes contracted security services of Kshs.51,447,846 out of which Kshs.5,679,473 relates to Mpeketoni Campus. However, no evidence was provided to confirm hire of security services at Mpeketoni campus. Examination of records revealed that payments were made to individuals. It is not clear how the persons were recruited to offer security services at the campus as the payment schedule revealed payments of varying amounts.
Consequently, the expenditure of Kshs.5,679,473 could not therefore be confirmed as a proper charge to public funds.
219. **Legal Fees** - Further, the balance includes an amount of Kshs.14,995,130 under legal charges. Examination of records indicated that the University contracted for legal services for the period between 01 December, 2015 to 30 June, 2018. However, during the year under review, the University continued to use and paid for the services of the legal service provider of Kshs.3,948,337 without a valid contract in place.
In the circumstances, Management is therefore in breach of the law.
220. **Unapproved Cleaning and Sanitary Services** -The balance also includes an expenditure of Kshs.47,525,584 relating to cleaning and sanitary services. However, documents provided in relation to procurement of cleaning and sanitary services revealed that a company was contracted by the University on 22 August, 2017 for a contract which expired on 31 August, 2019 with extension being granted for a period of three (3) months. A new contract was awarded to the same company commencing on 01 December, 2019 to 31 December, 2021 where an amount of Kshs.13,809,804 was paid during the extension period. However, Minutes of an Ad-hoc Committee approving the extension of contract and the reasons thereof were not provided for audit review.
221. In the circumstances, Management is therefore in breach of the law.

Management Response

222. **Contracted Security Services:** Due to insecurity issues and terror threats in Lamu County and the vastness (large forest cover) of the University land, the University embarked on protecting the land from encroachment by squatters, and terror groups (Al Shabaab). Therefore, Mpeketoni Campus is guarded by the Kenya Police Reserve (KPR), persons who are identified and armed by the Government of the Republic of Kenya. The University therefore did not recruit the guards and the rates paid of Kshs.1,000 per day are the ones applicable to the officers given their seniority levels.
223. **Legal Fees:** While it is true that the contracts have lapsed as observed, all the payments made to the law firms relate to cases that were awarded earlier during the contract period and that have been on-going.
224. **Unapproved Cleaning and Sanitary Services:** *The contract extension was necessitated by University Council directive on reduction of the scope of cleaning services by 70% in the next contract with service providers as a result of various austerity measures employed by the Council.*
The tender advert for cleaning and sanitary services was published in the Daily Nation and on public procurement information portal on 26th July, 2019. Based on the timelines and the provision of section 96, 97 and 98 of the PPAD Act 2015, the DCPO requested the Vice Chancellor for a contract variation for a period of 3 months to

enable the tender evaluation committee to evaluate the published tender, and for the Vice Chancellor to sign the contract with the awarded service provider.

Committee Observations

225. **Contracted security services** - issue is pending. The Committee notes that payments to individuals for security services at Mpeketoni Campus were made without evidence of procurement or recruitment processes. This breaches:
- a) **Public Procurement and Asset Disposal Act (PPADA) 2015, Sections 91–93** on procurement methods
 - b) **PFM Act Section 68(2)(c)** on maintaining proper records
 - c) **Constitution of Kenya Article 227** on fair, equitable, transparent procurement.
- Management’s justification of using Kenya Police Reserve (KPR) lacks documented approval, MoUs, or correspondence with security agencies.
226. **Legal Fees** - issue still pending. The Committee notes that the University continued to engage a legal firm after expiry of contract, contrary to:
- a) **PPADA 2015 Section 139** (contract validity and extension)
 - b) **PFM Act Section 68(1)(a)** on lawful use of public funds.
- Management’s explanation that cases were ongoing is noted, but the law requires contract renewal or fresh procurement¹.
227. **Unapproved Cleaning and Sanitary Services** - issue is still pending. The Committee notes that the contract extension lacked approval minutes and legal review breaching:
- a) **PPADA 2015 Sections 103–106** on contract extensions
 - b) **PFM Act Section 68(1)(a)**
 - c) **Constitution Article 227.**
- Management’s justification does not cure the illegality of the extension.

Committee Recommendation

228. **Contracted security services** - Matter to be forwarded to EACC and DCI for investigation and possible prosecution.
229. **Legal Fees** – The Committee reprimands the Accounting Officer for the breach of PPADA 2015 Section 139 (contract validity and extension) and PFM Act Section 68(1)(a) on lawful use of public funds. .
230. **Unapproved Cleaning and Sanitary Services** - Matter to be forwarded to EACC and DCI for investigation and possible prosecution.
- 3.1.20 Irregular Bank Overdraft**
231. As disclosed in Note 24(c) to the FSs, the statement of financial position reflects negative cash balances of Kshs.134,984,140. However, the negative cashbook balance of Kshs.134,984,140 is in excess of the overdraft facility of Kshs.100,000,000 approved by the University Council by Kshs.34,984,140. The Management has not provided satisfactory reasons why the cheques were drawn when there were no sufficient funds in the bank account.
232. In the circumstance, the Management is in breach of the approved overdraft limit.

¹ The institution has a frame contract for 2 years. Upon expiry they initiate a plan to get new lawyers. For the files that the existing legal firms are handling are not terminated despite the lapse of their contract. If you instructed the lawyer and they are still handling the case, you cannot remove them. There is need to re-look at the procurement laws in regarding to handling such cases. There should be clause that the already existing law firm that is already handling the case will continue dealing with the case will continue to handle the case until it is concluded despite the lapse of the existing contract.

Management Response

233. The university runs an approved overdraft of Kshs.100 million in its main paying bank account (Reduced to 50M in the financial year 2024/2025. A summary of certificate of bank balances issued by university bankers as at 30th June 2020, indicates that the university did not overdraw cash from its bank accounts beyond the approved overdraft. Only one account had a debit balance of Kshs. 17.3 all the other accounts having credit balances. The figure being referred to by the auditor is a reconciliation item made up of the un-presented cheques which were still in the custody of the university by the close of the year and other reconciling items. The management has however put internal controls in place by putting in place Budget Implementation Committee that approves what is to be paid during the month given the available funds. This ensures cheques are only printed when there is enough money in the bank accounts so that they can be released immediately they are fully signed.

Committee Observations

234. The Issue is still pending. The bank certificate provided by the institution indicates that there was no overdraft and the institution was far below the 100k limit.

235. The Committee notes that the negative cashbook balance exceeded the approved overdraft limit, breaching:

- a) **PFM Act, 2012 Section 28(4)** - An accounting officer for a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorised by the National Treasury or a board of a national government entity, if any. No official government bank account shall be overdrawn
- b) **Regulation 82 (7) of PFM (NG) Regulations, 2015-** No official government bank account shall be overdrawn.

236. Management's explanation that the variance was due to un-presented cheques requires further verification.

Committee Recommendation

237. The Committee recommends:

- (i) Management must ensure that overdraft facilities approved by the University Council are not exceeded under any circumstances.
- (ii) Management to hold responsible officers accountable for breaches of financial discipline under the PFM Act.

Report on Effectiveness of Internal Controls, Risk Management, and Governance

3.1.21 Inventories

238. As detailed in Note 26 to the financial statements, the statement of financial position reflects inventories balance of Kshs.34,644,347. However, the University does not have an inventory control management system. The mechanism used does not give accurate stock operation reports. Verification of stock records revealed that there are no requisition records, bin and ledger cards in use to provide accurate records.

239. In the circumstance, existence of effective internal control on stocks could not be confirmed.

Management Response

240. The University was using an ERP system (SAGE ACCPAC) which had weakness in the inventory management module and the University migrated to Micro Soft Dynamics 365 that is more robust and can handle the inventory control management.

Committee Observations

241. With the migration to the new ERP, the Auditor confirmed that the issue is addressed.

3.1.22 Lack of Human Resource Documents

242. Management has not filed their Human Resource Compliance Reports, including payroll reports for all cadres of staff with the State Corporations Advisory Committee. The University does not have an approved staff establishment. Further, a review of data maintained by a human resource management system revealed cases of missing NHIF Number; and NSSF Numbers for some employees.

243. In the circumstances, I am unable to confirm the effectiveness of the University staff hiring and rationalization policy and system including governance.

Management Response

244. The university has been filing Human Resource Compliance Reports with the national Employment Authority. However, the University noted the requirement to file Human Resource Compliance Reports with the State Corporation Advisory Committee and this will be addressed going forward.

245. The University Council at its meeting held on 22nd November, 2019 approved the staff establishment for Academic and non-academic staff; the total number of staff was capped at 1444. At the time of approval, the number of staff numbers was 1818. The approved staff establishment and human resource is provided.

246. The University noted the Omissions of NSSF and NHIF numbers in the human resource management system and this has now been addressed in the ERP.

Committee Observations

247. The Auditor confirmed that the issue has been addressed.

3.1.23 Failure to Invoice Students After Registration

248. Analysis of invoices and students' data revealed that there were 105 students who registered but were not billed. Of these students, 89 belonged a department whose records the Management did not provide for audit review. It was however, observed that the Memorandum of Understanding between Egerton University and a Ministry on the training did not preclude invoicing of the students sponsored under the project upon registration.

249. Failure to invoice the students at the point of registration may lead to revenue loss thereby casting doubts on the internal control to safeguard against loss of revenue.

Management Response

250. Financial records of DOD Students are not maintained under ARMS rather they are managed fully under DOD project in Research & Extension Division. Under this arrangement, income for the DOD students is recognized on cash basis upon payment from DOD just like any other research project.

Committee Observations

251. The Auditor confirmed that the issue has been addressed.

3.1.24 Weaknesses in Information Communication Technology (ICT)

252. A review of the ICT policies and other ICT governance documents revealed that the policy was approved in 2010. A review of the policy indicated that it is not comprehensive enough to cover the status of the University ICT infrastructure and cyber threats as it is not aligned to the objectives of the organization and there were no procedures developed to operationalize the policy document.

253. Lack of governance structure may hinder effective use of information technology.

Management Response

254. The ICT policy was reviewed by University Management, and there were proposed changes which have been incorporated for further discussion. The ICT Procedures are currently under review.

Committee Observations

255. The outdated ICT policy (2010) and lack of operational procedures breach:

- a) **Mwongozo Code (ICT Governance Requirements)**
- b) **ISO 27001 principles on information security governance**

256. Management's ongoing review is noted.

Committee Recommendation

257. The University should finalize and implement the updated ICT policy and procedures. The Auditor to confirm this in the next audit cycle.

3.1.25 Integration Between ARMS and Sage System

258. The University uses the ARMS system to manage revenue from Students whereas financial reporting is done using the Sage system. Invoices and debit notes generated in ARMS are uploaded into the Sage system for financial management. However, review of invoices and debit notes generated in ARMS and uploaded into Sage revealed the two systems are not fully integrated and exhibited varied discrepancies which has not been explained.

259. In the circumstances, I am unable to confirm the effectiveness of internal controls including governance between the two systems.

Management Response

260. There were no variances between the documents' values in ARMS and SAGE as observed by the auditor.

261. Debit notes DN000086857 & DN000086859 do not show any variance between Sage & ARMS amounts. The documents' values are as reported in the Sage as indicated in the students' fee statement generated from ARMS.

262. The amounts in Sage for Invoice IN00466546 is Kshs.278,400 and not Kshs.306,240 as reported by the audit; this was an erroneous invoice that was fully reversed via credit note CN000183421 and then a correct invoice was billed via debit note DN000098159 amounting to Kshs.27,840.

Committee Observations

263. The Committee notes that through the responses submitted, the Auditor confirmed that the issue is addressed.

3.0 Audited statements for Financial Year 2020/21 (Adverse Opinion)

Report on Financial Statements

3.1.1 Inaccuracy in Staff Costs

264. The statement of financial performance and as disclosed in Note 13 to the FSs reflects staff costs of Kshs.3,189,990,440. This amount includes personnel remuneration for permanent staff amount of Kshs.3,141,047,349 and casual labour amount of Kshs.7,986,747. However, the personnel remuneration amounts vary with the payroll amount of Kshs.3,024,294,604 in respect of permanent staff and casual labour amount of Kshs.13,796,475 resulting to an unreconciled variance of Kshs.116,752,745 and Kshs.5,809,728 respectively.

265. In the circumstances, the accuracy and completeness of staff costs of Kshs.3,189,990,440 could not be confirmed.

Management Response

266. *Staff cost includes personnel emoluments which are paid through the payroll, and other staff costs which are paid outside the payroll; these are gratuities, casual labor expenses, passage*

& baggage, graduate scholarships, staff fees waiver and overtime. A reconciliation between the payroll and the schedules has been done.

267. The corrected figure for total staff costs as per our amended financial statement is Kshs.3,189,990,440.05 as shown in the table below has been corrected.

	Amounts
Reported Staff Costs	3,202,023,777.00
LESS: Errors Correction (Wrong Postings)	10,583,195.45
	3,191,440,581.55
Less: Errors Casual wages	1,450,141.50
	3,189,990,440.05
Gross Payroll	3,250,770,170.20
Add: Staff Costs Outside Payroll	248,613,368.79
	3,499,383,538.99
Less: Adjustments (Prior year Arrears & Council Expenses)	317,379,846.14
Staff Costs excluding Casual Wages	3,182,003,692.85
Adjusted Casual Wages	7,986,747.20
Corrected Staff Costs	3,189,990,440.05

268. *Casual Labour*

- a) The accounting error of Kshs.1,450,141.50 was corrected. The monthly NSSF Employer contribution was included in arriving at the total figure of casual labour wages which has since been corrected.
- b) The total figure of casual wages is therefore Kshs. 14,036,879.50 (7,986,747 under Note 13(b) and Kshs.6,050,132 under note 19).

Committee Observations

269. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.2 Unsupported Council Expenses

270. The statement of financial performance and as disclosed in Note 14 to the FSs reflects Council expenses totalling Kshs.15,532,485. Included in the Council expenses is an amount of Kshs.2,837,185 in respect of mileage/travel expenditure. However, logbooks for the vehicles and distances covered by the Council Members for paid mileage allowance were not provided for audit verification.
271. Further, the amount includes payments to various Council Members in respect of sitting, mileage and accommodation allowances totalling to Kshs.1,736,891 paid in advance. No explanation has been provided for paying the allowances before the dates of the meetings. In addition, the expenditure includes an amount of Kshs.116,712 paid to two (2) Non-Council Members for attending Council meetings.
272. Under the circumstances, the accuracy and validity of Council mileage expenses amounting to Kshs.2,837,185 and Council expenses amounting to Kshs.1,853,603 could not be confirmed.

Management Response

273. The expenditure of Kshs.2,837,185 was supported by the attached copies of car logbooks for council members. The distance covered by each member is captured in every claim form.
274. The cheques in question (Kshs. 1,736,891) were prepared before the meeting but issued to the council members after the said meeting as evidenced in the bank statements.

275. The Kshs. 116,712 was paid to SCAC members who were conducting council evaluation, and they were paid as guided by their circular OP/SCAC.1/9 attached, since they were conducting council business.

Committee Observations

276. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.3 Administration and Central Services Expenses

277. The statement of financial performance and as disclosed in Note 15 to the financial statements reflects administration and central services expenses totalling Kshs.480,763,690. Review of records revealed unsatisfactory issues as indicated below:

278. **Unsupported Expenditure on Legal Charges** - Included in the amount is an expenditure of Kshs.10,065,462 in respect of legal charges. However, procurement documents for legal services such as tender advertisement, appointment letters to procurement committees, contract agreements, invoices and case status were not provided for audit verification.

In the circumstances, the accuracy and validity of legal charges-main expenditure of Kshs. 10,065,462 could not be confirmed.

279. **Inaccuracy in Overdrafts Interest** - Included in the amount is an expenditure of Kshs. 13,570,038 in respect of bank charges, interest and commissions. Review of the records revealed a total amount of bank overdraft interest amount of Kshs.12,010,391 which vary with the total overdraft interest amount of Kshs.10,297,120 reflected in the bank statements resulting to an unreconciled variance of Kshs.1,713,271

In the circumstances, the accuracy of bank charges, interest and commissions amount of Kshs.13,570,038 could not be confirmed.

280. **Unsupported Expenditure on Travelling and Subsistence** - Included in the amount is an expenditure of Kshs.27,748,516 in respect of travelling and subsistence for staff members. Further, the expenditure includes an amount of Kshs.9,544,490 which was not supported by prior approvals from the Accounting Officer of the journeys made and imprest warrants. Expenditure claims were made by drivers on behalf of other officers contrary to regulations on personal claims.

In the circumstances, the accuracy and validity of the travelling and subsistence expenditure of Kshs.9,544,490 for the staff members could not be confirmed.

281. **Unsupported Expenditure on Rent and Rates** - Included in the amount is an expenditure of Kshs.59,870,889 in respect of rent and rates. Review of records revealed that an amount of Kshs.3,837,090 related to rent payment paid after expiry of the lease agreement. Further, the rent and rates amount of Kshs.7,325,815 was incurred on parking space. However, lease agreement and charges payable were not provided for audit verification.

In the circumstances, the accuracy and validity of rent and rates expenditure of Kshs,59,870,889 could not be confirmed.

Management Response

282. **Unsupported Expenditure on Legal Charges-** The contract for provision of legal services (contract no EU/PQS/40/2019-2021) was awarded by the Vice Chancellor via a professional opinion dated 25th April, 2019. Procurement documents for legal services that include tender advertisement dated 7th February 2019, tender opening minutes, tender evaluation report, professional opinion, notification for award/regrets, and the status of each of the cases.

283. **Inaccuracy in Overdrafts Interest-** The figure in the financial statements of Kshs. 13,570,038.00 is a total of all levies/charges and taxes charged by the bank for all university bank accounts in the period including commission and taxes on cash withdrawal, charges on unpaid cheques, SWIFT/EFT charges, ledger fees and Debit Interest. The figure of Kshs.

12,010,391.00 is for one bank account (Paying Account No. 1101906812) and is correct. The figure reported in the financial statements were therefore properly stated.

284. **Unsupported Expenditure on Travelling and Subsistence**- The payments in reference were validly made upon approval by the Vice Chancellor, who delegated the authority to approve on her behalf to the Finance Officer. The other weakness referred to in the audit observation was noted and addressed by the University management in the financial year under audit. All journeys are approved in advance, and payees' claims are paid individually.
285. **Unsupported Expenditure on Rent and Rates**-The University gave the landlord (Bawani Stores) a notice to vacate the building by 31st December 2020. At the end of December 2020, the University had not moved out and therefore legally entered into a month-on-month tenancy agreement which resulted to the payment of Kshs. 3,837,090.
The Kshs. 7,325,815 incurred on parking spaces was within the lease agreements for the car park at Stanbank House, Nairobi

Committee Observations

286. **Unsupported legal charges** – Issue has been addressed
287. **Inaccuracy in Overdraft Interest** - Issue is pending. In computation of total interest, the disagreement is on how the auditor classified the total bank interest. The total bank interest charged was correctly reported.
288. **Unsupported Expenditure on Travelling and Subsistence** - Issue is addressed and is not recurring in subsequent FYs.
289. **Unsupported Expenditure on Rent and Rates** -Issue has been addressed. The issue on rent has not been recurring in the subsequent FYs

Committee Recommendation

290. The committee recommends:
- a) **Inaccuracy in Overdraft Interest**- The Accounting Officer should reconcile all bank charges and submit a certified schedule to the Auditor for verification and the Auditor to report this on the next audit cycle.

3.1.4 Repairs and Maintenance

291. The statement of financial performance and as disclosed in Note 16 to the financial statements reflects repairs and maintenance expenses totalling to Kshs.98,580,124. Review of records revealed unsatisfactory issues as indicated below:
292. **Unsupported Expenditure on Motor Vehicles (Fuel and Oils)** - Included in the repairs amount is an expenditure of Kshs.13,462,999 in respect of motor vehicles - fuel and oils invoiced monthly by an oil firm. However, the invoices were not supported with statements of fuel drawn indicating the motor vehicle registration numbers, detail order numbers, amount of fuel drawn and the price. The fuel expenditure also wrongly includes closing stock of Kshs.68,250. Further, the University has introduced the use of fuel cards for the University fleet of forty-eight (48) motor vehicles, tractors and generators. However, a review of fuel records revealed that the fuel cards were at times used to fuel vehicles not designated to the fuel cards without authority.
In the circumstances, the accuracy and validity of expenditure on motor vehicles-fuel and oils amounting to Kshs.13,462,999 could not be confirmed.
293. **Unsupported Expenditure on Repairs and Maintenance of Buildings** - Included in the amount is an expenditure of Kshs.14,968,412 in respect of repairs on buildings. However, an expenditure of Kshs.13,969,412 on repair of buildings was not supported with procurement records such as user requisitions, bills of quantities, tender advertisement, appointment letters to tender committees, tender evaluation minutes, letter of award, bid bonds, tender security, inspection and acceptance reports, interim/completion certificates and payment vouchers.

In the circumstances, the accuracy and validity of repairs and maintenance of buildings expenditure of Kshs.13,969,412 could not be confirmed.

294. **Inaccurate Expenditure on Maintenance of Stations** - Included in the amount is an expenditure of Kshs.13,876,785 in respect of maintenance of stations. Review of the records reveal that the expenditure wrongly includes closing stock of Kshs.1,246,401. In the circumstances, the accuracy of maintenance of station expenditure of Kshs.13,876,785 could not be confirmed.

Management Response

295. **Unsupported Expenditure on Motor Vehicles (Fuel and Oils)**- The financial statements were amended note 25a, to reflect prepaid fuel amounting to Kshs. 68,250 and reduced fuel expenses accordingly. University access fuel statements online through NOCK portal and checks balances of each card. The management have put controls to ensure invoices are fully supported with the relevant statements whenever requisitions are made for fuel.
296. **Unsupported Expenditure on Repairs and Maintenance of Buildings**- The expenditure of Kshs.13,969,412 refers to a contract for the provision of small works for renovation of Riverside A & B students' hostel for a contract amount of Kshs.14,161,570.00 (Kenya shillings fourteen million one hundred and sixty-one thousand five hundred and seventy) VAT Inclusive signed between the Vice Chancellor and the contractor namely Baba Bakita Enterprises Limited dated 7th October, 2016 and 9th September,2016 subsequently.
297. **Inaccurate Expenditure on Maintenance of Stations**- The Kshs.1,246,401 reported was the proportion of opening stock that was consumed during the year thus reported as expenses. The value of closing stock was Kshs. 4,147,809 which was correctly recognized as a current asset.

Committee Observations

298. **Unsupported Expenditure on Motor Vehicles (Fuel and Oils)** - Issue is partially addressed. The institution did not provide legible documents, and the issues did not recur in subsequent FYs.
299. **Unsupported Expenditure on Repairs and Maintenance of Buildings** -This issue is addressed.
300. **Inaccurate Expenditure on Maintenance of Stations** - This issue is addressed.
301. Management's partial corrections (e.g., adjusting prepaid fuel) are acknowledged, but the absence of legible supporting documents and weak fuel card controls remains a concern.

Committee Recommendation

302. The committee recommends:
- The University should implement strict fuel card controls, including vehicle-specific card assignment and mandatory fuel statements.
 - Internal Audit should conduct a compliance review of fuel and maintenance expenditures for the last two financial years.
 - Going forward, where unsupported payments are found, require recovery and disciplinary review of responsible officers.

3.1.5 Research and Extension Expenses

303. The statement of financial performance and as disclosed in Note 18 to the FSs reflects research and extension expenses totalling to Kshs.247,355,310. Review of records revealed unsatisfactory issues as indicated below:

304. **Unsupported TAMOU OIC-RE29-Expenses:** Included in the amount is an expenditure of Kshs.8,737,232 in respect of TAMOU OICRE29. This expenditure includes an amount of Kshs.8,328,304 from a Professor which was not supported by annual work plans, monitoring and evaluation reports and quarterly performance reports contrary to Section A.6 of the agreement with a university in the United States of America. Further, the expenditure includes an amount of Kshs1,450,500 being stipend allowance paid to interns who were engaged for more than six (6) months contrary to the University Human Resource Manual. In the circumstances, the accuracy and validity of TAMOU OIC-RE29 - expenses of Kshs.8,737,232 could not be confirmed.
305. **Unsupported Limnology-RE 42-Expenses:** Included in the amount is an expenditure of Kshs.10,503,086 in respect of Limnology RE42 - expenses. Review of records revealed an expenditure of Kshs.4,397,140 which was paid to participants of various research activities during the year from imprests issued to researchers. However, the expenditure was not supported with work plans, appointment letters, invitation letters, signed attendance registers and the purpose of the research. Further, one (1) imprest holder had expenditures of Kshs.1,101,521 in excess of the imprest issued. No authority for the excess expenditure was provided for audit review. In the circumstances, the validity, accuracy and propriety of Limnology-RE42 expenses of Kshs.4,397,140 could not be confirmed.
306. **In accurate COELIB Projects-RE46-Expenses:** Included in the amount is an expenditure of Kshs.5,675,917 in respect of COELIB Projects - RE46 expenses. The expenditure was incurred in US Dollars which were converted to Kenya Shillings at the closure of the financial year contrary to Policy 4(n) on foreign currency transactions of the summary of significant accounting policies which stipulates that transactions in foreign currencies are initially accounted at the ruling rate of exchange on the date of transactions. In the circumstances, the accuracy and validity of COELIB Projects - RE46 expenses of Kshs.5,675,917 could not be confirmed.

Management Response

307. **Unsupported TAMOU OIC-RE29-Expenses:**
- (i) The annual work plan was submitted during the signing of contract.
 - (ii) The monitoring and evaluation report is attached together with the quarterly performance report for the period October-December 2021.
 - (iii) The COeLIB project has an Internship Manual approved by the donor, which guides the engagement of interns in the project. This manual does not limit the duration of internship to six months.
308. **Unsupported Limnology-RE 42-Expenses:**
- (i) *The work plan and purpose of the research are attached.*
 - (ii) *Attendance registers were not signed because classes were purely online due to COVID-19 restrictions. Video recordings are available for some of the online classes.*
309. **In accurate COELIB Projects-RE46-Expenses:**
- (i) *The conversion of foreign currency to Kenya shillings is done at the prevailing exchange rate on the date of the transactions but at the end of the financial year. All exchange transaction differences have been recognized as income or expense where appropriate in the financial statements*
 - (ii) *The conversion is done at the end of the financial year outside the system then posted through a journal entry to the system because Sage ACCPACC has challenges in its multi-currencies module that is meant to convert foreign currencies automatically when payments are done.*

Committee Observations

310. **Unsupported TAMOU OIC-RE29-Expenses:** addressed since all the supporting documents have been provided
311. **Unsupported Limnology-RE 42-Expenses:** partially addressed since the virtual login registers were not provided. The online class is a collaborative class with a University in Austria through a system that Egerton could not control. The FO provided videos for the classes, but the auditor requested for the logins that Egerton could not provide. Management to provide the video evidence for this to be cleared.
312. **In accurate COELIB Projects-RE46-Expenses:** addressed since all the supporting documents have been provided

Committee Recommendation

313. The Committee recommends:
 - a) The ICT Directorate should develop a **standard protocol for capturing virtual attendance records** for audit purposes.
 - b) The University should upgrade or configure its financial system to ensure **automatic multi-currency compliance**. Where system limitations exist, require documented manual procedures and reconciliations approved by the Finance Officer.

3.1.6 Academic Departments Expenses

314. The statement of financial performance and as disclosed in Note 17 to the FSs reflects academic departments expenses totalling to Kshs. 129,239,943. Review of records revealed unsatisfactory issues as indicated below:
315. **Unsupported Expenditure on Teaching Claims (Part-Time Lecturers)** -Included in the amount is an expenditure of Kshs.72,854,410 in respect of teaching claims (part time lecturers). However, documents in support of the recruitment of part time lecturers such as declaration of vacancies, vacancy advertisement, composition of interview panel, invitation to attend interview, results of the interviews, appointment letters and signed contracts were not provided for audit verification.
In the circumstances, the accuracy of expenditure of Kshs.72,854,410 on teaching claims could not be confirmed.
316. **Unsupported Expenditure on Teaching Materials** - Included in the amount is an expenditure of Kshs.10,726,164 in respect of teaching materials. Review of payment records revealed that an imprest of Kshs.1,134,359 was issued to an officer whose surrender documents revealed the following anomalies:
 - (i) The goods, works and services were procured contrary to Regulation 92 of the PPAD Regulations, 2020 which stipulates that the estimated cost of the goods, works or services being procured per item per financial year is as per the threshold matrix in the Second Schedule of Kshs.50,000 and the procedure having been recommended by the head of procurement function after conducting a market survey and approved by the accounting officer or such person delegated in writing by the Accounting Officer.
 - (ii) Further, the expenditure was not supported by the original Kenya Revenue Authority Electronic Tax Receipt (KRA ETR Receipt) duly signed by the person undertaking the low value procurement of goods, works or services as stipulated in Regulation 93 of the Public Procurement and Asset Disposal Regulations, 2020. The goods procured shall be taken on charge by the officer responsible for the stores after the user department has confirmed the quantity and quality of the goods, works or services, before they are issued to the respective user department.
 - (iii) In addition, the teaching materials expenditure wrongly includes stocks valued at Kshs.2,354,050.

In the circumstances, the accuracy and validity of teaching materials of Kshs. 101726, 164 could not be confirmed.

Management Response

317. Unsupported Expenditure on Teaching Claims (Part-Time Lecturers)

- (i) Recruitment of part-time lecturers is done on the basis of identified need by the user department. This process starts at the departmental level during course allocation. Appointment of part – time lecturers has been guided by work instruction that were developed for appointment of part-time lecturers based on ISO 9001:2008.
- (ii) During course allocation there emerges courses or units that require to be taught during the semester where a lecturer has resigned, gone on study leave, is sick and indisposed or passed on. At times part-time lecturers are engaged when core courses being offered have large student numbers during that particular semester and may not warrant employment of a permanent lecturer.
- (iii) After identification of a suitable and qualified part-time lecturer, appointment schedules for part-time teaching are forwarded to office of Registrar (Human Capital and Administration) where appointment letters are issued stating the terms of engagement for specific periods.

318. Unsupported Expenditure on Teaching Materials

- (i) *The cash purchases of teaching materials at all times did not exceed Kshs. 50,000 for each individual purchase, and were approved by the Vice Chancellor as low value procurement which is allowed in the PPAD Act 2015. The use of cash is in compliance with section 93(1) i.e. direct shopping and was necessitated by the following;*
 - a) *The items requested were consolidated for the whole academic year.*
 - b) *These are small quantities and are mainly perishable and consumed during the teaching of the affected courses during the course of the academic year thus procurement is done prior but consumption is as and when need arises thus use of any other method would be inappropriate.*
- (ii) *Most of these items are small value expenditures and requires in small quantities at a time and therefore mostly sort from small traders around the university who have not attained the threshold for VAT registration. However, the university is enforcing attachment of ITAX compliant receipts before and procured items can be accepted or before petty cash or imprests monies advanced to staff surrendered back. This has ensured purchases only made from suppliers who are Itax compliant.*

Committee Observations

319. Management’s justification for low-value procurement is noted, but the absence of recruitment documentation for part-time lecturers remains a significant compliance gap because it contravenes Section 68(1)(a) of the PFM Act and Mwongozo HR governance standards.

Committee Recommendation

320. The Committee recommends:

- (i) Procurement receipts: Enforce attachment of ITAX-compliant receipts for all petty purchases and require retrospective submission of missing original receipts or recovery of funds.
- (ii) Policy update: Management to issue clear written guidance on part-time recruitment and low-value procurement to eliminate ambiguity and circulate to all departments and this should strictly comply to the applicable law i.e., PPAD Regulations 2020 Regulation 92–93 (low value procurement) and Mwongozo HR governance standards.

3.1.7 Contingent Deposits

321. The statement of financial position and as disclosed in Note 24(b) to the FSs reflects a balance of Kshs.53,000,000 in respect of contingent deposits. Review of records revealed unsatisfactory issues as indicated below:
322. **Unsupported Staff Mortgage Scheme Balance** - Included in the balance is a staff mortgage scheme balance of Kshs.50,000,00. A review of the staff mortgage scheme contract between the University and a local bank signed on 08 October, 2013 and other available information revealed that a total of Kshs.50,000,000 was deposited in the scheme's deposit bank account between 11 March, 2014 and 27 November, 2014. However, the amount was transferred from the account on 21 October, 2015 to a new fixed deposit account in the name of the University. Bank statement and the letter authorizing the transfer were not provided for audit review. A review of the deposit bank account revealed that at the time of transfer, an amount of had been disbursed in six (6) instalments resulting to an unreconciled variance of Further, there was no progress reports from the bank showing activities of the scheme as provided for in Clause 14 of the Contract Agreement and evidence to confirm that the loan repayments were deposited in the Scheme's deposit bank account as stipulated in Clause 5 of the Contract Agreement was not provided. In the circumstances, the accuracy of staff mortgage scheme balance of Kshs.50,000,00 could not be confirmed.
323. **Unsupported Bank Guarantee Balance** - Included in the balance is a bank guarantee balance of Kshs.3,000,000 relating to a deposit pending hearing and determination of a case filed by a supplier of goods for delayed payment by the University under a civil case. However, the court case has not been disclosed in the notes to the financial statements since the case has a contingent financial implication relating to the cost of the suit, and legal fees to the University. In the circumstances, the accuracy of the bank guarantee balance of Kshs.3,000,000 could not be confirmed.

Management Response

324. Unsupported Staff Mortgage Scheme Balance

- (i) *The bank statement for staff mortgage scheme balance of Kshs. 50,000,000 is provided. The letter authorizing transfer of funds from deposit account no.11506309 to a new fixed deposit account MM1529400252 (which is the Lien account) was not required because according to the clause 5 of the agreement, KCB has been given the mandate to transfer funds into the Lien account (Fixed deposit account MM1529400252*
- (ii) *The fixed deposit account is a term deposit and thus does not have a bank statement since it has a one off deposit of Kshs. 50M and earns interest at 0% (zero) (Lien account does not earn any interest, refer to Clause 7 of the agreement however certificate of balance as at 30th June 2021 is attached.*
- (iii) *Progress reports are given regularly as statements given from time to time. The progress report is given as statement showing how the Kshs. 50M has been lent out and this explains the variance of Kshs.25,215,000.*

325. Unsupported Bank Guarantee Balance

- (i) *Disclosure is made in notes to the financial statements accordingly.*

Committee Observations

326. **Unsupported Staff Mortgage Scheme Balance** - issue is pending. The 50M was Egerton money deposited in KCB bank in a fixed deposit account with no interest charged. Not charging interest was to enable the staff get lower interest benefit. This account still exists.
327. **Unsupported Bank Guarantee Balance** - The issue is addressed since the disclosure evidence submitted was verified and confirmed by the auditor.

Committee Recommendation

328. The Committee recommends:

- a) KCB Bank should appear before the Committee to explain the management of the mortgage scheme, including the missing statements and progress reports.
- b) Going forward, the University should always ensure full disclosure of contingent liabilities in line with IPSAS 19.

3.1.8 Long Outstanding - Receivables from Exchange Transactions

329. The statement of financial position and as disclosed in Note 25 to the FSs reflects a balance of Kshs.987,169,473 in respect of receivables from exchange transactions. Included in the balance is a student debtors balance of Kshs.884,852,954 which further includes a balance of Kshs.349,077,726 due from students who were either discontinued, deceased, expelled or graduated. No effort has been made to recover these debts or write them off contrary to the University's Credit and Debt Management Policy that gives the provision of writing off debts that are older than five (5) years. Failure to write off the long outstanding debtors has resulted in an overstatement of receivables from exchange transactions.

330. In the circumstances, the accuracy and recoverability of the student debtors amounting to Kshs.884,852,954 could not be confirmed.

Management Response

331. A Debtors' Cleanup Committee was constituted by the Vice Chancellor and has been working on the report that is supposed to go through various stages of approvals by the University Management Board and the University Council.

Committee Observations

332. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.9 Non-Current Assets

333. The statement of financial position and as disclosed in Notes 28 and 29 to the FSs reflects a balance of Kshs.5,342,670,103 in respect of non-current assets. Review of records revealed unsatisfactory issues as indicated below:

334. **Lack of Land Ownership Documents** - Included in the balance is land valued at Kshs.1,186,094,800 which includes four (4) parcels of land with a combined size of 444 acres valued at Kshs.227,333,300 whose ownership documents/title deeds were not provided for audit review.

In the circumstances, the accuracy, valuation and ownership of the land valued at Kshs.227,333,300 could not be confirmed.

335. **Stalled Projects** - Included in the balance is WIP balance of Kshs.904,434,993. This balance includes seven (7) stalled projects valued at Kshs.821,442,553. Further, included in the WIP transferred to assets balance of Kshs.1,004,061,841 is a Science Complex valued at Kshs.897,799,002. However, certificate Number ten (10) of work certified was not provided for audit verification.

In the circumstances, the accuracy and existence of WIP of Kshs.904,434,993 could not be confirmed.

336. **Unauthorized and Unsupported Investments** - Included in the balance and as disclosed in Note 29 to the FSs is an investments balance of Kshs.150,119,859 which include the value of 52,468 Kenya Airways shares of Kshs.200,952 and a loan of Kshs.149,918,907 advanced to Egerton University Investment Company. Review of loan records revealed that the loan was not authorized by the University Council. In addition, the Kenya Airways shares appreciated in value by Kshs.28,857 from Kshs. 172,095 as at 30 June, 2020. However, the University did not

provide for audit verification the Central Depository and Settlement Corporation (CDSC) statement of account to confirm ownership of the shares and the value of the shares.

In the circumstances, the accuracy and existence of investments valued at Kshs.150,119,859 could not be confirmed.

Management Response

337. **Lack of Land Ownership Documents-** The University does not have title deeds on the mentioned parcels of land. However, the University is still pursuing the issuance of the title deeds.

338. **Stalled Projects**

(i) The University has a number stalled projects. Indeed, the University has prioritized the completion of these stalled projects over the years and has succeeded in completing the following projects: Faculty of Arts and Social Sciences complex, Faculty of Education Complex, Students' Hostels and Physical Science Complex.

(ii) The University continues to request for financial support on capital development from the government to finalize the stalled projects.

(iii) The certificate number 10 of work certified is available and is of Kshs. 3,791,110.

339. **Unauthorized and Unsupported Investments**

(i) The University had initially classified Kshs. 149.9 million as a loan to Egerton University Investment Company but with the recommendation of the Office of the Auditor General's report for the year 2017/18, it was reclassified as an investment.

(ii) The funds transfer to Egerton University Investment Company was approved in tranches by 82nd, 86th, 94th& 133rd Council Meetings held on Tuesday, 29th January, 2013, 15th August, 2013, 25th November 2014 and Tuesday, 22nd August, 2017.

(iii) The University is the holder of 52,468 shares with Kenya Airways under account no. 108716 as shown in the attached copies of earlier dividend notifications and receipt to proof the shares are owned by Egerton University.

Committee Observations

340. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

3.1.10 Unsupported Trade and Other Payables

341. The statement of financial position and as disclosed in Note 30(a) to the FSs reflects a balance of Kshs.4,062,263,553 in respect of trade and other payables. Included in the balance is an amount of Kshs.2,843,785,950 in respect of payroll payables. The payroll payables relate to salary, statutory deductions and pension contributions which have not been remitted to the respective entities. They include deferred salary payments of Kshs.339,667,312, gratuity of Kshs.181,835,326, salary arrears of Kshs.10,675,090, pension deductions of Kshs.1,325,879,819 and PAYE deductions of Kshs.579,533,094. The payroll payables were not supported with a listing indicating the names of staff from whom the deductions were made and the amount deducted.

342. Further, the balance includes trade creditors balance of Kshs.310,085,790 and internal creditors balance of Kshs.21,945,188. A total of Kshs.273,724,687 in respect of trade and internal creditors has remained unpaid for a period of over ninety (90) days. No satisfactory reason has been provided by Management on the failure to settle these long outstanding bills. The University is at risk of paying penalties and litigation on salary, statutory deductions and pension contributions not remitted and face litigations for failure to pay suppliers for the supply of goods, services and works.

343. In the circumstances, the accuracy, completeness and validity of the trade and other payables balance of Kshs.4,062,263,553 could not be confirmed.

Management Response

344. The University is facing financial challenges which are the effects of cumulative decline in incomes from all sources over the last five years. The declining trend in both GoK capitation and student fees income have led to a situation in which the University's total income cannot meet the staff costs. While the University has made effort in reducing the staff costs, the gains have been reversed by the impact of annual increments, staff reviews and Collective Bargaining Agreements (CBAs) that are not fully funded from our income sources.
345. The university during the year 2020/2021 was not in a position to settle most of its pending bills (Trade & Other Payables) due to financial constraints arising from shocks such as Covid-19.

Committee Observations

346. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Emphasis of Matter Paragraph

3.1.11 Uncertainty Relating to Sustainability of Services

347. The statement of financial performance reflects a deficit of Kshs.1,299,475,557 resulting in an accumulated deficit of Kshs.3,490,582,734. In addition, the statement of financial position reflects total current assets balance of Kshs.1,477,465,132 and total current liabilities balance of Kshs.5,318,196,319 resulting in a negative working capital of Kshs.3,840,731,187.
348. In the circumstances, the continued survival and ability of The University to continue to sustain its services is dependent on continued Government support.

Management Response

349. The University is facing serious financial challenges which are the effects of cumulative decline in incomes from all sources over the last five years. The declining trend in both GoK capitation and student fees income have led to a situation in which the University's total income is less than its total costs. The University is taking a number of steps aimed at reversing this situation like reducing costs through austerity measures, revamping its income generating units, engaging the government with a view to getting additional funding among others.

Committee Observations

350. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Other Matters

3.1.12 Unresolved Prior Year Matters

351. The audit report for the year ended 30 June, 2020 raised several unsatisfactory issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal controls, risk management and governance. However, the issues remained unresolved as at 30 June, 2021. Management has indicated that the issues will be resolved during the 2021/2022 financial year. The actual status of all the issues will be confirmed after they are discussed by Parliament. This is contrary to the Public Sector Accounting Standards Board Templates.

Management Response

352. The management noted the observation by auditors and is now reporting the status of prior year audit issues as guided in the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1 (44) of 25 June, 2019.

Committee Observations

353. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Report on Lawfulness and Effectiveness in Use of Public Resources

3.1.13 Failure to Enforce Collection of Tuition Fess

354. The statement of financial performance and as disclosed in Note 11 to the FSs reflects tuition and related income amount of Kshs.583,267,363 Included in this amount is tuition fee of Kshs.349,137,958. A review of tuition fee records revealed that 585 students were allowed to sit for exams with school fees arrears totalling to Kshs.9,104,271 contrary to section 2(a) of the Credit and Debt Management Policy.
355. In the circumstances, Management was in breach of the regulations and the recoverability of the outstanding fees of Kshs.9,104,271 remains doubtful.

Management Response

356. The students in question are those who had not registered in Academic Records Management System (ARMS) in previous semesters and hence had some missing invoices in the system. Subsequent billing was done to update their financial records in the system after exams resulting in the balances in the student debtors. As at the time of sitting for exams the students' accounts were not showing any fee balances due to weakness in our system. Management has since resolved this weakness in the system.

Committee Observations

357. The Committee notes that **585 students** were allowed to sit examinations despite owing **Kshs.9,104,271**, contrary to:
- a) **University Credit and Debt Management Policy Section 2(a)** – prohibits provision of services without settlement of outstanding fees.
 - b) **IPSAS 1** – requires receivables to reflect recoverable amounts.
358. Management attributes the issue to system weaknesses in ARMS, but this does not justify the breach of policy or the risk of revenue loss.

Committee Recommendation

359. The Committee recommends:
- a) The University should enforce mandatory fee payment and registration before examinations.
 - b) The University should ensure the newly acquired system is fully configured to prevent exam access without fee clearance.
 - c) Council should approve a student debt recovery strategy.

3.1.14 Irregular Award of Contract on General Insurance-Properties-Main

360. The statement of financial performance and as disclosed in Note 15 to the FSs reflects administration and central services expenses of Kshs.480,763,690. Included in this expenditure is an amount of Kshs.43,198,474 in respect of general insurances-property-main. This amount includes an expenditure of Kshs. 16,695,852 paid to an insurance company for provision of insurance cover for part of University properties. A review of documents provided for audit verification revealed the following anomalies:
- (i) The contract was signed by the contractor on 13 February, 2020 for services that commenced on 01 January, 2020 leading to retrogressive procurement
 - (ii) The contract signing was done on different dates where the Vice Chancellor, and Deputy Vice Chancellor signed on 29 January, 2020 and 06 February, 2020 respectively, whereas the contractor and their witness signed the same contract on 13 February, 2020

- (iii) The notification of award of the contract was not dated and notice to the unsuccessful tenderers were also not dated
- (iv) The insurance policy certificates were not provided
- (v) The evaluation comments from each committee member were not done
- (vi) Only three (3) out of the six (6) members of the evaluation committee signed confidentiality declaration form
- (vii) There was no evidence of the award being published and publicized on notice boards and websites within fourteen (14) days after signing the contract.

361. In the circumstances, the validity of general insurances- properties - main expenditure of Kshs.16,695,852 could not be confirmed.

Management Response

- 362. The management has taken note of the varying dates of contract signing by different parties and going forward the management has put in place modalities to ensure that all parties sign contracts on the same date during contract signing exercise.
- 363. The award letter was not dated which was an oversight. However, notification of award and regrets were emailed to both responsive and non-responsive bidders on 17th December 2019.
- 364. The original policy documents are kept under custody of pensions and insurance department. Going forward, the management has ensured that copies of all insurance policies are kept in the procurement file for ease of reference.
- 365. The individual/Combined score sheet adopted by the University meet the minimum requirement as per Section 30, 31 and 32 of the PPAD.
- 366. The Tender Committee opening minutes indicated 9 bidders submitted their bids for evaluation on 8th November 2019 by the Tender Opening Committee of 5 staff members from the University and witnessed by 3 representatives from Madison Insurance, AAR and Eagle Africa Insurance. On the same report 9 bids were opened during the public tender opening.
- 367. On evaluation, 9 bids that were opened as per Tender Opening Committee minutes were evaluated by the Tender Evaluation Committee. The evaluation committee report had indicated that 11 bidders submitted their bids but 9 were evaluated. This was a typing error from the secretariat. See the Tender Evaluation Report.
- 368. The issue of confidentiality was addressed by the Accounting Officer through the appointment letters to the evaluation committee members. Prior to the PPAD regulations which came into effect in 2020, the requirement for each member of evaluation committee to sign confidentiality form was a good practice but not anchored in the previous regulation 2006. This is now anchored on the current regulations.
- 369. The awarded contracts were placed on selected conspicuous notice boards but due to limited space and the number of centralized notice boards within the University, the contracts were removed upon contract closure. The same tender awards were published on the Public Procurement Information Portal (PPIP) which was updated around May-June 2021.

Committee Observations

- 370. The Auditor confirmed that the issue is addressed, hence no further action is needed on this audit matter.

3.1.15 Irregular Payment of Tegemeo Institute Expenses

- 371. The statement of financial performance and as disclosed in Note 32 to the FSs reflects Tegemeo Institute expenses of Kshs.154,923,743. Included in the expenses is an amount of Kshs.1,583,610 incurred as salary for one lecturer for the months of April, May and June 2021. However, the employee had no valid employment contract as the contract had expired on 31

March, 2021 without renewal. Further, the expenditure included an expenditure of Kshs.781,502 incurred on motor vehicle insurance premiums for the period running from 01 January, 2021 to 31 December, 2021 which was not apportioned for the year under review resulting to overstatement of the expenditure by Kshs.390,751.

372. In addition, the expenses include an amount of for the provision of vehicle hire services. However, the contract for the provision of these services was signed by the Vice Chancellor on 10 February, 2021 and the Deputy Vice Chancellor Academic Affairs on 18 February, 2021 and service provider on 19 February, 2021 implying the services were provided without a valid contract. No explanations were provided for receiving services without a valid contract.
373. In the circumstances the validity and propriety of Tegemeo Institute expenses of Kshs.10,732,361 could not be confirmed.

Management Response

374. During the three months, the employee's contract had expired, the employee continued to render services to the University. Hence the payments that were made were in respect of services rendered by the employee running the project. Any interruption would have violated the terms and conditions of project execution with the donor.
375. The expenditure on insurance has been apportioned and the financial statements amended accordingly.
376. The management engaged the service provider through a Local Purchase Order, before the commencement of the services which in itself is a binding legal document. The contract was signed during the implementation in February 2021. This was necessitated by the donor condition.

Committee Observations

377. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter..

3.1.16 Overdrawn Cash Books

378. Note 24 to the FSs reflects a cash and cash equivalents balance of Kshs.54226,524. Included in the balance are ten (10) overdrawn cash book balances totalling Kshs.379,554,765 contrary to the provisions of Regulation 82(7) of the PFM (NG) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by The National Treasury in line with section 28(4) of the Act. This overdrawn total amount has however been wrongly disclosed as part of current liabilities.
379. In the circumstances, Management was in breach of the law.

Management Response

380. The management has put in place measures to ensure that cheques are only written when funds are available in the bank.
381. In addition, the implementation of host to host in the fee payment account will ensure that only the recognized students are able to make deposits.

Committee Observations

382. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.0 Audited statements for Financial Year 2021/22 (Qualified Opinion)

Report on Financial Statements

4.1.1 Sustainability of Services

383. The statement of financial performance reflects a deficit of Kshs.1,527,902,227 resulting to accumulated revenue reserves deficit of Kshs.6,624,709,168 for the year under review. Further, the statement of financial position reflects total current assets and liabilities balances of Kshs.1,697,071,948 and Kshs.8,570,105,995 respectively, resulting to negative working capital of Kshs.6,873,034,047. This is an indication of the existence of material uncertainty which casts doubt on the University's ability to continue to sustain its services and to meet its obligations as and when they fall due. In addition, the material uncertainty in relation to sustainability of services and the mitigation measures put in place to reverse the situation have not been disclosed in the financial statements.

384. In the circumstances, the continued survival and ability of the University to continue to sustain its services is dependent on continued Government support.

Management Response

385. *The University had a deficit of Kshs.1,527,902,227 and a negative working capital of Kshs. 6,873,034,047. The University is facing serious financial challenges which are the effects of cumulative decline in incomes over the last seven years. The declining trend in both the GoK capitation and student fees income have led to the situation.*

386. *The university has taken a number of mitigation measures aimed at reversing this situation as follows;*

a) Reduction in Operating expenses

(i) Closure of Satellite Campuses

The University has closed Baringo and Nairobi City Campuses. The two satellite campuses were shut down in order to cut the associated costs. The annual rent for Nairobi City Campus was Ksh. 43,138,872 and Baringo Campus was Ksh. 11,941,303.

(ii) The University Management also made a decision not to renew lease agreements for some properties and renegotiated others. This initiative led to a reduction of rent expenses by Kshs .8.5 million.

(iii) Increased Credit Factors for academic staff

The policy was reviewed and implemented to increase the teaching credit factors for academic staff from 18 to 24 per academic year with effect from 2020/2021 which began in September 2021. This reduced the university's dependence on part time lecturers who would otherwise have been hired to teach, thereby saving the university up to Ksh 69.4 million annually in part time teaching expenses.

(iv) Electricity Costs

*The discontinuation of students use of electric cookers from the halls of residence reduced power bills from an average of **Ksh 11.4 Million** to an average of **Ksh 7.09 million** when all students are in session. The average monthly savings of about **Ksh 4.31 million** (37.81%).*

(v) Staff Costs

The university continues to let go without replacement of non-critical staff who exit from employment and non-renewal of employment contracts.

(vi) Staff rationalization

The University requested the Government for approval and funding of Kshs. 2,003,646,768 to carry out staff rationalization. This will reduce the staff cost by approximately Kshs. 485,765,820 annually equivalent to Kshs. 40,480,485 monthly.

(vii) Contracted Services Expenses

The university renegotiated procured contracted services (cleaning & security contracts) that led to reduction from Kshs 7.69 Million to Kshs 6.76 Million per month a reduction of 12.10%

(viii) Travelling and Subsistence Expenses

The strict controls reduced significantly amount incurred in travelling and subsistence, for example, during 2021/2022 financial year the costs were Kshs 9,457,190 compared to Kshs 27,748,516 in 2020/2021 a reduction of Ksh 18,291,326 (65.92%).

b) Enhancement of Internally Generated Revenue

The University has accommodation services for students, catering services, funeral home, farming activities, dairy, knitting printing and press as sources for income generation. The University is strengthening the management and broadening of the Income Generating Units (IGU) by establishment of IGU Directorate that has resulted to the following;

(i) Rent Income from Staff houses

The University doubled the rent for staff houses as demonstrated by collections of additional rent income of approximately Kshs 700,000 per month.

(ii) Income from IGUs

With the establishment of the IGU directorate, it is envisaged that the performance of IGUs through implementation of their business plans will improve significantly. During the year ended 30th June 2022 IGUs incomes as reported was Kshs 126.9 million against expenditure of Kshs 89.7 million resulting to a net income of Kshs 37.2 million. (29.31%).

c) Engaging the government with a view to getting additional funding.

(i) Financial bail out

The Management has been engaging the government for financial bail out to clear all the pending bills amounting to Kshs 6 billion as at 30th November 2021.

(ii) Enhancement of Capitation

The Management has been engaging the government to enhance capitation to bridge the budget shortfall by funding the CBAs that were never funded for implementation moving forward. This will stop the accumulation of the pending bills. The University has also requested Government to provide Kshs.935.2Million for 3822 students that were not funded in the year 2018.

d) Achievements as a result of Austerity measures and enhanced revenue.

Following the application of austerity measures and enhancement of A-i-A the university has achieved the following;

(i) The University is currently paying staff salaries at 70 % up from 57 % in December 2021

(ii) The University is also currently remitting employer pension contribution at 5 % up from 1% and all the employee pension contributions when they fall due from July 2021.

(iii) The University is paying its current obligations when they fall due.

(iv) The University is gradually retiring its old debts for example, all library suppliers have been fully paid, external examiners, insurance premiums for motor vehicles, subscriptions and partly paid pensions and SACCO deductions.

Committee Observations

387. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.2 Irregular Legal Charges

388. The statement of financial performance and as disclosed in Note 16 to the FSs reflects administration and central services expenses of Kshs.1,188,118,035. The amount includes legal charges amount of Kshs.9,184,645 relating to cases filed which have been pending for long and not disclosed as contingent liabilities as detailed below:

389. **Case Number, Nairobi HCC 2527 of 1996** - The plaintiff sued the University for the supply of goods valued at Kshs.4,690,651 plus interest which it alleges the University owes. The status report indicates that the University was to file an application for dismissal of suit for prosecution, but the court file was not traced.

390. **Case Number Nakuru MCC 962 of 1996** - The plaintiff was an employee at the University's Ngongogeri farm. He filed the case alleging wrongful dismissal and loss of property after he was evicted from the farmhouse, for a total cost of Kshs.700,000. Judgement was entered and the plaintiff was awarded Kshs.70,000 to which the plaintiff appealed, and the appeal is still pending.

391. **Case Number Nairobi CMCC 3920 of 2002** - The claimant sued University for an amount of Kshs.2,354,764 including costs and 36% interest for aluminium works at the University Physical Science Complex in 1999. The University had given a proposal for settlement at Kshs.1,034,923, being outstanding sum and 12% interest per annum charge on principal amount but the claimant declined. However, no file or documentation was presented for audit to establish the origin of the case and why the claim had not been paid.

392. **Case Number Nairobi HCC 217 of 2003** - The claimant alleged termination of insurance policy agreement that was running from 1991 and renewed annually by the University for five (5) years after the enactment of procurement law allowing competitive bidding in place of single sourcing. The said policies had a Clause that 'in the event of termination, the discounts given will fall due'. The plaintiff sued for Kshs.6,609,896 and Kshs.4,507,857, being unremitted premiums and discounts earlier allowed respectively. The University lodged a counter claim against the claimant of Kshs.4,351,543 for overpayment of premiums. The matter was filed in Nairobi and the University is in the process of applying for its transfer to Nakuru.

393. **Case Number Nakuru CMCC No.2509 of 2004** - The University filed a claim against the defendant in 2014 and obtained judgement in its favor. Upon pursuit of the decretal amount from the defendant or debtor in vain, the University instructed its lawyers to pursue the same through auctioneers who were able to attach the defendant's motor vehicle valued at Kshs.300,000. The defendant or debtor never came forward to clear the remaining amount and the same auctioneers tried to trace any other movable property owned by the debtor and even traced the debtor but all efforts came to a naught. The University came across obituary of the debtor and recommended that the outstanding debt be written off.

394. In the circumstances, accuracy, regularity and disclosure of legal charges totalling Kshs.9,184,645 could not be confirmed.

Management Response

395. **Case Number, Nairobi HCC 2527 of 1996, Howse & Mac George ltd-vs- Egerton University** - Case Number, Nairobi HCC 2527 of 1996, Howse & Mac George ltd-vs- Egerton University. The case is about supply of goods to the University that the supplier alleges was not paid. The supplier could not avail documents to support the outstanding claim of Kshs.2,446,721.40 which includes unsupported figure of Kshs.2,076,523.55. The documents showing the origin of the case have been attached.

396. **Case Number Nakuru MCC 962 of 1996, Joseph Chege Kariuki –vs-Egerton University** - Case number Nakuru mcc 962 of 1996 Joseph Chege Kariuki –vs-Egerton University - The claimant was summarily dismissed following a report by the security of the farm and investigation that the claimant had misappropriated farm money. The documents showing the origin of the case have been attached.
397. **Case Number Nairobi CMCC 3920 of 2002, Booth Manufacturing ltd –vs- Egerton University** - Case number Nairobi CMCC 3920 of 2002, Booth Manufacturing ltd –vs- Egerton University The claimant was a sub-contractor in the Physical Science Complex whom the University had no contract with. The 2nd Defendant in the case, Carpentocraft building contractors was the main Contractor whom the University paid and was obligated to pay the Sub-contractors. The documents showing the origin of the case have been attached.
398. **Case Number Nairobi HCC 217 of 2003, Liberty Life Assurance Kenya –vs- Egerton University** - Case number Nairobi HCC 217 of 2003, Liberty Life Assurance Kenya –vs- Egerton University. The University was required to terminate the contract following the enactment of the procurement law, 2005. The Policy contract was executed in July, 2000, under section 47 of the said regulations, any previous circulars or instruments relating to Procurement by a public entity were annulled following enactment of the law. The University called the Insurance company following advice by procurement committee on the law and gave notice to the company that the contract will be terminated with effect from 30th March, 2001. Many correspondences were exchanged by the parties on this issue but the Insurance Company moved to court. The documents showing the origin of the case have been attached.
399. **Case Number Nakuru CMCC No.2509 of 2004, Egerton University –vs- A.G Tumbo Oeri** - Case number Nakuru Cmcc No 2509 of 2004, Egerton University –vs- A.G Tumbo Oeri, The Legal Officer proposed for write off of the debt following the demise of the Defendant. Resolution on this still being awaited. The documents showing the origin of the case have been attached.

General Management conclusion

- (i) All the listed cases by the auditors do not qualify to be disclosed as contingent liabilities as per the explanations given above for each case hence the reason they were never disclosed.
- (ii) The accuracy, propriety and disclosure of legal charges totalling to Kshs 9,184,645 for the year ended 30 June, 2022 have been properly explained.

Committee Observations

400. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.3 Interest Payable on Delayed Remittance of Payroll Deductions

401. The statement of financial performance and as disclosed in Note 16 to the FSs reflects administrative and central services costs of Kshs.1,188,118,035. The amount includes interest payable on delayed remittance of payroll deductions amounting to Kshs.706,456,019 (Interest on Outstanding Pension Contributions-Kshs.180,911,241; Interest on PAYE-Kshs.15,124,545; Interest on Outstanding EU Sacco Deductions-Kshs.510,420,233).
402. However, the basis for computing the interest was not provided for audit review. In addition, there is no evidence of Management having engaged with the affected Organization in an effort to have the interests charged waived. Further, the expenditure had not been budgeted for.
403. In the circumstances, accuracy and validity of interest payable on payroll deductions balance of Kshs.706,456,019 could not be confirmed.

Management Response

404. The University has incurred fines and penalties due to non-remittance of payroll dues as correctly observed by the auditors this was as a result financial challenges the university has been facing as earlier observed by the auditors.
- (i) The basis for computing the interest were provided then for audit verification.
 - (ii) Negotiations for waiver of the interests and penalties will only be initiated once the principal amounts are cleared as per Tax Procedures Act 2015(89) (7).
 - (iii) The penalties and interests were not budgeted for because they were not anticipated and have not been paid.

Committee Observations

405. Interest and penalties totaling **Kshs.706,456,019** were incurred due to delayed remittance of statutory deductions. The basis for computation was initially not provided, and there was no evidence of engagement with statutory bodies to seek waivers. This breaches:
- a) **Income Tax Act Section 37(1)** – requires employers to deduct and remit PAYE promptly.
 - b) **Retirement Benefits Act** – requires timely remittance of pension contributions.
 - c) **PFM Act Section 68(1)(a)** – requires proper management of public funds to avoid penalties.
406. Management later provided computation schedules and stated that waiver negotiations can only begin after clearing principal amounts.

Committee Recommendation

407. The Committee recommends:
- a) The University should develop a statutory remittance clearance plan with timelines.
 - b) Upon clearing principal amounts, the University should formally request waiver of penalties from KRA, RBA, and SACCOs.
 - c) Council should hold the Accounting Officer accountable for preventing future penalties through strict cash-flow controls.

4.1.4 Receivables from Exchange Transactions

408. The statement of financial position as disclosed in Note 27(a) to the FSs reflects receivables from exchange transactions balance of Kshs.1,001,255,396. The following unsatisfactory matters were noted;
409. **Long Outstanding Imprests** - Included in the balance is long outstanding imprests balance of Kshs.107,167,608 dating as far back as 2014. However, no recoveries have been made from the salaries of the defaulting officers, contrary to Regulation 92 of the PFM (NG) Regulations, 2015 which states that ‘a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Further, no interest has been levied on the outstanding imprest pursuant to the provisions of Regulations 92.
410. **Long Outstanding Student Debtors** - Included in the balance is student debtors balance of Kshs.848,321,383 which includes a balance of Kshs.360,187,445 due from students who have left the University. Management had neither made efforts to recover the amount which have been outstanding for over five (5) years nor adjusted the amount for likely impairment in accordance with the University's Credit Control and Debts Management Policy, 2015 which requires write off of debts that are older than five (5) years.
411. In the circumstances, accuracy and recoverability of receivables from exchange transactions balance of Kshs.1,001,255,396 could not be confirmed.

Management Response

412. Long Outstanding Imprests

- (i) *Imprests falls due for surrender 7 days after completion of the activities or return from a journey, however Research imprests are allowed to be outstanding up to 3 Months and further 3 months requires approval as per the University Financial Rules and Regulations (2021) Section 9(b) and 9(c). Management has implemented controls to ensure that imprests are retired in accordance with the regulations.*
- (ii) *Some of the long outstanding imprests could not be recovered as the respective staff are deceased. However, those who exited have been given demand notices.*
- (iii) *The university Appointed a debt committee to investigate and prepare a report on these imprests with a view of making a definitive cause of action. The university is in the process of seeking approvals for the write off imprests for deceased staff as recommended by internal audit and approved by the university council.*

413. Long Outstanding Student Debtors

- (i) *A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council which has recommended a write off.*
- (ii) *The management has enhanced internal controls through the use of the ERP system as a control since only those students that have cleared fees are allowed to sit for examinations.*

Committee Observations

414. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.5 Unsupported Prior Year Adjustment

415. The statement of changes in net assets reflects accumulated deficit balance of Kshs.6,624,709,168 comprising the deficit for the year of Kshs.1,527,902,227 and unsupported prior year adjustment of Kshs.1,606,224,206.
416. In the circumstances, the accuracy and completeness of the accumulated deficit balance of Kshs.6,624,709,168 could not be confirmed.

Management Response

417. The prior year adjustment related to the interests and penalties charged for unremitted Egerton University (EU) SACCO loans, staff Pension and PAYE amounting to Kshs 1,606,224,206. This was disclosed in the financial statement on page 50 and explained on management discussion and analysis on page 32 on the financial report. This audit issue was never in management letter nor draft report but came up in final audit report hence we never got the opportunity to respond on the matter.

Committee Observations

418. The Auditor confirmed that the issue is addressed, hence no further action is needed on this audit matter.

Report on Lawfulness and Effectiveness in Use of Public Resources

4.1.6 Unauthorized Bank Overdraft

419. The statement of financial position and as disclosed in Note 26(c) to the FSs reflects negative cash balance (bank overdraft) balance of Kshs.261,600,780. Review of the available records revealed that, the University's bank account was overdrawn to the tune of Kshs.239,167,819

without authority from The National Treasury, contrary to the provisions of Regulation 82(7) of the PFM (NG) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by The National

420. Treasury. Management indicated that the bank overdraft was approved by the University Council.

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

Management Response

422. The negative cashbook balances were as a result of un-presented, uncredited cheques and direct bank deposits which has since been reconciled. The management has put in place measures to ensure that cheques are only written when funds are available in the bank.

423. The university has adhered to the approved overdraft of Kshs.100,000,000. The Kenya Commercial Bank account number 1101906812 was overdrawn by Kshs.37,090,322 which was within the approved limit.

Committee Observations

424. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.7 Unremitted Staff Deductions

425. The statement of financial position reflects trade and other payables balance of Kshs.7,340,485,835 as disclosed in Note 32(a) to the FSs. Included in the balance is payroll payables comprising of salary deductions and pension contributions totalling Kshs.6,105,227,546 which had not been remitted to the statutory entities, contrary to the Section 37(1) of the Income Tax Act, 2012 which states that ‘an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts.

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

Management Response

427. Some statutory deductions were not remitted as required due to the financial challenges that the university is facing. Currently the university is remitting statutory deductions as they fall due apart from employer pension contribution which is being remitted at 5% instead of 20%.

428. The listing of the outstanding payroll payables was disclosed on page 37 of the financial statement.

Committee Observations

429. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.8 Stalled Projects

430. As reported in the previous year’s report, included in the WIP balance of Kshs.912,668,913 reflected in the statement of financial position and Note 30(b) to the FSs are stalled projects valued at Kshs.435,545,277. The projects status of the stalled projects remains unchanged.

431. In the circumstances, the completion of the projects remains doubtful, and amounts spent of Kshs.435,545,277 has not benefited the intended beneficiaries.

Management Response

432. The university is having numerous stalled projects that is unable to complete due to lack of GOK funding for their completion over the years. However, every effort has been made to complete these projects within the available financial resources raised internally and has managed to complete faculty of education complex, Science Complex and student hostels with

some works going on in Agronomy building. The university will continue to work towards finishing the remaining stalled projects as funds become available. For many years, the university has been seeking financial support for capital development but has not received sufficient allocation to adequately support the budget.

Committee Observations

433. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

4.1.9 Computer Maintenance

434. The statement of financial performance and as disclosed in Note 16 to FSs reflects administration and central services amount of Kshs.1,188,118,035. The amount includes computer maintenance amounting to Kshs.5,371,360. However, the expenditure exceeds the budget of Kshs.1,932,554, resulting to unauthorized expenditure of Kshs.3,438,806, contrary to Regulation 51(2) and (3) of the PFM (NG) Regulations, 2015 which states that 'expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets. The Accounting Officer of that Government entity shall make an expenditure commitment only against the procurement plan approved for that entity in accordance with the PPAD Act, 2005 and the Regulations made thereunder'.

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

Management Response

436. The Ksh 3,849,600 for purchase of antivirus was authorized expenditure budgeted under ICT infrastructure which falls under capital development expenses and was in the procurement plan. This expenditure is of recurrent in nature and was transferred to computer maintenance in administrative and central services category while reporting without transferring the related budgeted amounts thus appearing as an over expenditure which is not the case. This error was in the treatment and not in breach of the law, however the university has noted the error has been resolved in subsequent years.

Committee Observations

437. The Auditor confirmed that upon verification of the submitted documentation, the error in the treatment was corrected. Therefore, the issue is addressed.

5.0 Audited statements for Financial Year 2022/23 (Qualified Opinion)

Report on Financial Statements

5.1.1 Inaccurate Income from Non-Exchange Transactions

438. The statement of financial performance reflects revenue from non-exchange transactions income of Kshs.3,014,870,599. The amount includes Kshs.783,566,052 that differed with Note 32(d) transfers to income statement of Kshs.731,548,925 resulting to unreconciled variance of Kshs.52,017,127. Further, the amount includes receipts of Kshs.68,951,796 in respect of various projects which are not supported by detailed schedule indicating opening balances, receipts and payments for the year to arrive at the closing balances.

439. In the circumstances, the accuracy and completeness of income from non-exchange transactions of Ksh.3,014,870,559 could not be confirmed.

Management Response

440. The university uses cash basis of accounting to account for the donors' funds as per the IPSAS 23 for recognition of income from non-exchange transactions. We recognize the income for

each research project by matching it with the project expenses incurred during the year. Funds received during the year are recognized as deferred income (a liability). This treatment only applies to donor funds.

441. The reconciliation showing what is reflected under note 32(d) and what is reflected under income statement is analyzed as follows.

Particulars	Financial Statement (Kshs)	Note 32(d) Transfers (Kshs) (matched income)	Direct income (Kshs)
Research & Extension	355,965,169	315,231,545	40,733,624
CESAAM Ace 2 Income	104,866,303	105,301,556	-435,253
MCF Tagdev	130,562,502	130,562,502	0
Tegemeo	192,174,078	180,453,322	11,720,756
Total	783,568,052	731,548,925	52,019,127

442. **The Research & Extension** – the division also hosts internal research projects monies funded by the university and others generated by some research activities these are not donor funds but are fully owned by the university. This explains the difference in the research and extension of **Ksh. 40,733,624** which is not accounted using the cash basis of accounting but they are closed out with the general reserves of the University. We provide the listing of incomes that are treated differently from donor funds.
443. **CESAAM ACE II Income** - This is a World Bank funded project which also attracts other Donor funding. All the donor funds are accounted through the cash basis of accounting. During the financial year 2022/23, the Account attracted interest income charged for the outstanding Imprests. These are funds owned by the university and as such was not added to donor funds as deferred income.
444. **Tegemeo** – The same case applies to Tegemeo income where the difference of Ksh 11,720,756 is the amount owned by the university and as such could not be accounted as donor funds.
445. During the financial year 2022/23, the opening balances net changes and the closing balances for research projects are part of our notes of financial statement refer to note 32d. Further a detailed schedule indicating opening balances, receipts and payments for the year to arrive at the closing balances.

Committee Observations

446. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.2 Unsupported Repairs and Maintenance

447. The statement of financial performance reflects repairs and maintenance expenses of Kshs.79,507,513 which includes Kshs.8,946,204 paid to a firm for repairs and maintenance at the main University campus as disclosed in Note 17 to the FSs. However, the contract agreement, certificates of completion, and pre and post repair inspection reports were not provided for audit.
448. In the circumstances, the accuracy and completeness of repairs and maintenance expenditure of Kshs.8,946,204 could not be confirmed.

Management Response

449. The contract agreement, certificates of completion, and pre and post repair inspection reports were provided to the auditor for verification.

Committee Observations

450. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.3 Legal Expenses

451. The statement of financial performance reflects administration and central services expenditure of Kshs.496,713,975 which includes legal fees of Kshs.26,577,272 as disclosed in Note 16 to the FSs. However, a compensation award of Kshs.116,259,925 against the university in case No. HCCON No. E003 of 2023 on

452. 10 May, 2023 was not included in the legal fees expenses. Although a part payment of Kshs.40,000,000 was made during the year under review, it is not clear how the balance of Kshs.76,219,925 had been reflected in the financial statements and how it will be budgeted for payment.

453. In the circumstances, the accuracy and completeness of the legal expenses of Kshs.26,577,272 could not be confirmed.

Management Response

454. *The award of KShs.116,259,925 relates to consultancy fee for capital project; Ultra-Modern Library and had been budget as so. The award was therefore disclosed and reported as work in progress University Library (Note 30B No.10 of the financial statement).*

455. *The unpaid balance of KShs.76,219,925 is not a contingent liability but a liability that was disclosed in the financial statement as a current liability under trade and other payable (note 32a Trade creditors of the financial statement. Further, the extract of the supplier ledger is provided indicating how the invoices and payments have been captured.*

Committee Observations

456. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.4 Cash in Bank and in Hand Balance

457. The statement of financial position reflects cash and bank balance of Kshs.806,398,269 as disclosed in Note 26(a) to the financial statements. However, bank reconciliation statements for eleven bank accounts reflects receipts in bank not in cash book of Kshs.16,215,967 with some dating as far back as 2017. Further, the cash and bank balance Kshs.806,398,269 of reflected in the statement of financial position differs with Kshs.740,504,662 reflected in the statement of cash flows resulting to unreconciled difference of Kshs.56,893,607.

458. In the circumstances, the accuracy and completeness of the cash in bank and bank balance of Kshs.806,398,269 could not be confirmed.

Management Response

459. *These deposits were made by the students but could not be identified and allocated to specific students since they were either paid through Mpesa or did not provide sufficient details on the banking slips. These deposits are receipted once the students come forward with the support documents claiming ownership and the deposit slips verified. We have however noted the auditors concern and this matter will be dealt with conclusively.*

460. *The difference of Kshs. 56,893,607 between the cash and bank balance of Kshs. 806,398,269 reflected in the statement of financial position and Ksh. 740,504,662 reflected in the statement of cash flows is reconciled as per below: -*

<i>Details</i>	<i>Amounts (Kshs)</i>
<i>Cash and bank balances as reflected in Statement of Financial Position</i>	<i>806,398,269</i>
<i>ADD: Contingent Deposits</i>	<i>50,000,000</i>
	<i>856,398,269</i>
<i>LESS: Negative Cash Balances</i>	<i>115,893,607</i>
<i>Cash and bank balances as reflected in Statement of Cash Flows</i>	<i>740,504,662</i>

461. *The make-up of negative cash balances is as below:*

	<i>Bank Account Name</i>	<i>Account No</i>	<i>Bank</i>	<i>Amount (Ksh)</i>
1	<i>EU Fees Account</i>	<i>271291000</i>	<i>Barclays Bank of Kenya</i>	<i>(6,662,098)</i>
2	<i>Egerton University Paying Account</i>	<i>1101906812</i>	<i>Kenya Commercial Bank</i>	<i>(105,189,697)</i>
3	<i>Egerton University</i>	<i>1137209542</i>	<i>Kenya Commercial Bank</i>	<i>(550,747)</i>
4	<i>Egerton University NCC A/C</i>	<i>1137209577</i>	<i>Kenya Commercial Bank</i>	<i>(4,948)</i>
5	<i>Egerton University Overhead Account</i>	<i>1101908718</i>	<i>Kenya Commercial Bank</i>	<i>(3,370,666)</i>
6	<i>Egerton University Milk Account</i>	<i>1101910429</i>	<i>Kenya Commercial Bank</i>	<i>(115,450)</i>
	<i>Grand Total</i>			<i>(115,893,607)</i>

Committee Observations

462. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.5 Receivables from Exchange Transactions

463. The statement of financial position reflects receivables from exchange transactions balance of Kshs.908,580,546 as disclosed in Note 27 to the FSs. However, the following unsatisfactory matters were noted:

464. **Long Outstanding Imprest** - Included in the balance is long outstanding imprest balance of Kshs.79,618,574 with some dating far back to 2014. However, no recoveries have been made from the salaries of the defaulting officers contrary to Regulation 92 of the PFM (NG) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Further, no interest has been levied on the outstanding imprest pursuant to 'the provisions of the Regulations 92.

465. **Long Outstanding Student Debtors** - Included also in the balance is student debtors of Kshs.835, 152,974. The balance further includes Kshs.359,661,759 due from students who have left the University. Management has not made efforts to recover the amount which have been outstanding for over five (5) years nor adjustments made to provide for likely impairment in accordance with the University's Credit and Debt Management Policy which requires write off of debts that are older than five (5) years.

466. **Inter-Bank Transfers** - Included in the receivables from exchange transaction balance of Kshs.908,580,546 is (Kshs.2,418,836) described as inter-bank transfers. This amount was not

explained and its treatment is contrary to accounting standards which prohibits netting off balances.

467. In the circumstances, the accuracy and fair statement of receivables from exchange transactions balance of Kshs.441,699,169 could not be confirmed.

Management Response

468. Long Outstanding Imprest

- (i) *The University financial rules and regulations provide for the procedures of accounting for the imprests where the imprest holder is required to surrender the imprest within 7 days after completion of activity.*
- (ii) *The University recovers the defaulted amounts plus the interests from defaulting staffs as provided by the PFM Act, 2015 and Egerton University Financial rules and regulations 2021. Further during the financial year the university charged interest of ksh1,908,380 on outstanding imprests as provided on note 13b of the financial statement.*
- (iii) *Imprests falls due for surrender 7 days after completion of the activities or return from a journey, however Research imprests are allowed to be outstanding up to 3 Months and further 3 months requires approval, this is due to the nature of the research activities.*
- (iv) *Some of the long outstanding imprests could not be recovered from the payroll as the respective staffs have exited the university see attached listing of inactive staff. The management has made efforts to recover from those who have exited by writing demand letters where their address/contacts are known.*
- (v) *Further the university Appointment of debt committee to investigate and prepare a report on these imprests with a view of making a definitive cause of action. The university is in the process of seeking approvals for the write off imprests for deceased staff as recommended by internal audit and approved by the university council.*

469. **Long Outstanding Student Debtors** - *A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council which has recommended a write off.*

470. **Inter-Bank Transfers** - *The Inter-bank as correctly observed by the auditors, relates to funds that were in transit from one university account to another. These mainly occurs where the Income generating units which sell their products through the university Mini mart. The funds are received in one bank account being recognized as inter-bank transaction as they will be transferred to relevant IGUs later. Going forward, the management will ensure these transactions in transit are finalized before closure of the reporting period. We note the error in offsetting, and this has been addressed going forward.*

Committee Observations

471. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.6 Agricultural Assets

472. The statement of financial position reflects agricultural assets of Kshs.12,650,349 as disclosed in Note 29 to the FSs. The amount reduced from Kshs.21,650,349 previously reported by Kshs.8,436,136 which has not been explained or reconciled as required by IPSAS 27.
473. In the circumstances, the accuracy, completeness and valuation of agricultural assets balance of Kshs.12,650,349 could not be confirmed.

Management Response

474. The reconciliation of the movement in the biological asset is attached for auditors' review. Valuation report that formed the basis of costing was submitted to the Auditor for verification.

Committee Observations

475. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.7 Unsupported Investments

476. The statement of financial position reflects investments in shares balance of Kshs.149,971,060 which includes Kenya Airways shares of Kshs.52,153 as disclosed in Note 31 to the FSs. The value of these shares dropped from Kshs.200,952 as at 30 June, 2023 and the value has continued to drop but Management has not taken any action to avoid further loss.
477. In the circumstances, the accuracy and fair statement of the investments balance of Kshs.149,971,060 could not be confirmed.

Management Response

478. The university could not dispose the KQ shares as they were suspended for trading at Nairobi Stock Exchange in July 2020. The suspension was only lifted on January 2025. Further the University council evaluated the performance of the Kenya Airways shares and recommended that these shares be retained as they are as the company has since started making profits.

Committee Observations

479. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.8 Sustainability of Services

480. The statement of financial performance reflects a deficit of Kshs.706,583,686 for the year under review resulting to accumulated deficit of Kshs.7,453,839,891. Further, the statement of financial position reflects total current assets balances of Kshs.1,815,729,482 against current liabilities balance of Kshs.9,464,483,654 resulting in negative working capital of Kshs.7,648,754,172 This is an indication of the existence of material uncertainty which casts doubt on the University's ability to continue to sustain services and to meet its obligations as and when they fall due. However, the material uncertainty in relation to sustainability of services and the mitigation measures put in place to reverse the situation have not been disclosed in the financial statements.
481. In the circumstances, the continued survival and ability of the University to continue to sustain its services is dependent on continued Government support and its creditors.

Management Response

482. The management disclosed the university inability to meet its short-term financial obligations and its material uncertainty in relation to sustainability of services under management discussion and analysis section (page 21 of the financial statement). This situation is as a result of effects of GOK under-funding and reduction in Appropriation in Aid over the years.
483. The financial challenges faced by the university have been caused by reduction in government capitation since 2016, drastic reduction in enrolment in self-sponsored programs which

- generated extra income to the university. Also, salary increments due to Collective Bargaining Agreement awards led to accruing deficits.
484. In order to sustain the university and ensure it continues delivering its mandate, the university management has instituted austerity measures through introduction of a number of cost reduction and expenditure management strategies as well as measures geared towards improved income generations.
485. From the financial year 2019/2020 to the present, the university has taken aggressive steps to deal with this situation by instituting strict austerity measures which have resulted in annual savings in excess of **Kshs. 100 million**.
486. **Interventions to improve financial situation.**
- (i) Reductions in the payroll cost, through the non-replacement of staff who leave and the non-renewal of contracts for non-core staff, resulting in reduction in staff numbers by 565 from 1,812 in June 2019 to 1,247 in February 2025. As explained above, some of the cost savings arising from this reduction in numbers have been reversed by the payroll increases due to inadequately funded CBAs.
 - (ii) Increased teaching load for academic staff from September 2021, which has saved the university a total of **Kshs. 69 M** annually in part time teaching costs.
 - (iii) Relinquishing rented spaces in Nakuru city resulting in savings of up to **Kshs.65.2 M** per year in rent expenses.
 - (iv) The closure of Nairobi City Campus in September 2020 resulted in savings of up to **Kshs. 76.7 M** per year in rent expenses.
 - (v) Suspension of tuition waivers for staff and dependants, saved about **Kshs. 14.3 M** annually from 2020.
 - (vi) Revamping of income generating activities has helped to enhance revenue on average by up to **Kshs. 8 M** annually. Efforts continue to be made in enhancing revenue from revamped units and new revenue streams.
- Vi) Implementation of reforms in operational and administrative structures aimed at making operations more efficient and cost-effective.
487. The above interventions have resulted in the reported deficit being on a reducing trend over the last three years as indicated in Table 3 below: -

Table 3: Trend of Operational Deficit over the last three years

Financial Year	2023/2024	2022/2023	2021/2022
Deficit (in Kshs.)	(18,729,138)	(706,583,686)	(1,527,902,227)

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

488. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Emphasis of Matter Paragraph

5.1.9 Budgetary Control and Performance

489. The statement of comparison of budget and actual amounts: recurrent and development combined reflects total payments of Kshs.4,746,275,058 against an approved budget of Kshs.3,555,958,479, resulting to budget over expenditure of Kshs.1,190,316,579 or 34% of the budget which was not subject to Council approval.
490. In the circumstances, the lawfulness of the over expenditure could not be confirmed.

Management Response

491. The initial proposed budget contained the full staff costs but after the university received approved budget ceilings that were far less than the actual budget expenses there was need to rationalize the budget downward. The variance was occasioned by the university operating the wage bill at 66% due to underfunding. However, the financial statements were prepared on accrual basis of accounting recognizing the payroll in full and resulting in deferred salary payment (unpaid salary) that is included in payroll payables.

Committee Observations

492. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Other Matters

5.1.10 Unresolved Prior Year Matters

493. In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

Management Response

494. The university is aware all the prior year unresolved issues and are documented in the Audited report for the year June 2023. The audit issues are yet to be discussed in the Parliament. We are waiting for deliberation by the Parliamentary Investment Committee (PIC) but all the responses have been prepared.

Committee Observations

495. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Report on Lawfulness and Effectiveness in Use of Public Resources

5.1.11 Unauthorized Bank Overdraft

496. The statement of financial position under current liabilities reflects bank overdraft (negative cash balances) of Kshs.115,893,607 as at 30 June, 2023. Review of the records provided revealed that the University's accounts were overdrawn to the tune of Kshs.115,888,658 without authority from the National Treasury contrary to the provisions of Regulation 82(7) of the PFM (NG) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by the National Treasury. Management indicated that the bank overdraft was approved by the University Council.

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

Management Response

498. The university runs an approved overdraft of Kshs. 100 million in its main paying bank account. This overdraft has already been approved by the National Treasury as provided for in Regulation 82(7) of the PFM (NG) of 2015. The university got an approval in the 170th Council meeting held on the 27 July, 2022 of Kshs. 100 Million bank overdraft. The university has not overdrawn beyond the approved amount and always operate within the approved overdraft limit. The negative cashbook balances beyond the approved Ksh. 100 million is as a result of unreceipted deposits and not unrepresented cheques as observed by auditors. The actual Bank overdraft as at June 2023 was Ksh 80,472,881 as per the Certificate of balance. The statement of financial position is thus correctly stated and reported.

Committee Observations

499. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.12 Staff Costs (Unremitted Staff Deductions and Payroll Payables)

500. **Unremitted Staff Deductions** - The statement of financial position reflects trade and other payables balance of Kshs.8,263,428,954 as disclosed in Note 32(a) to the financial statements. Included in the balance is payroll payables comprising of salary arrears and deductions and pension contributions totalling ,090, internal creditors Kshs.22,105,942, withholding tax VAT and HELB Kshs.24,876,355 which had not been remitted to the statutory entities contrary to the Section 37(1) of the Income Tax Act which states that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts.

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

501. **Payroll Payables** - Trade and other payables balance of Kshs.8,263,428,954 as reflected in Note 32(a) to the financial statements includes Kshs.7,078,121,090 being payroll creditors or unpaid salaries. The university is paying 70% of the salaries leaving the balance of 30% unpaid which is accumulating liability. Management has not disclosed on how they will payout the remaining salaries

In the circumstances, payment of the accumulating 30% of the unpaid employees' salaries is doubtful.

Management Response

502. Unremitted Staff Deductions

(i) *The Management agrees with the auditors' observation on the is payroll payables comprising of salary arrears and deductions and pension contributions totalling Kshs. 7,078,121,090, internal creditors Kshs. 22,105,942, withholding tax Kshs. 17,508,376, VAT Kshs. 30,638,435. However, the HELB payable of Kshs. 24,876,355 relates to the Unallocated HELB disbursements and not a payroll deduction.*

(ii) *The Staff Deductions as highlighted above were accumulated from the year 2016 to December 2023. The university has been paying the staff at 100% and remitting all the statutory deductions a required for the last half of the financial year under review.*

(iii) *The university has submitted all the pending bills up to June 2022 including the payroll creditors and unpaid salaries to the Pending Bills Verification Committee with a possibility of bail out by the government. All pending bills accrued after June 2022 will be settled by university when funds become available.*

503. Payroll Payables

(i) *The Management agrees with the auditors' observation on the Payroll Payables of which was accumulated from the year 2016 to December 2023.*

(ii) *Since January 2024 the university has been paying the staff at 100% and remitting all the statutory deductions a required.*

(iii) *The university has submitted all the pending bills up to June 2022 including the Payroll Payables to the Pending Bills Verification Committee with a possibility of*

bail out by the government. All pending bills accrued after June 2022 will be settled by university when funds become available.

Committee Observations

504. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

5.1.13 Stalled Projects

505. As previously reported, included in the WIP balance of Kshs.973,951,881 reflected in the statement of financial position and Note 30(b) to the FSs are stalled projects valued at Kshs.911,664,791. The projects status of the stalled projects has remained unchanged. Further, the Management wrote off Kshs.1,004,122 in relation to construction of science complex without following proper procedures. In addition, work in progress balance of Kshs.61,282,967 was understated by Kshs.1,004,122.

506. In the circumstances, the completion of the projects remains doubtful, and amounts spent of Kshs.973,951,881 has not benefited the intended beneficiaries.

Management Response

507. *The management did not write off the Ksh 1,004,122 in relation to the science complex. The Building was completed and has been in use and thus the total costs were transferred to fixed asset register in the past years. The Ksh 1,004,122 in question was repairs and maintenance costs that was posted to WIP after the project was recognized as an asset hence the amount was transferred to repairs and maintenance of stations.*

508. *The university is having numerous stalled projects that is unable to complete due to lack of GOK funding for their completion over the years. However, every effort has been made to complete these projects within the available financial resources raised internally and has managed to complete faculty of education complex, Science Complex and student hostels with some works going on in Agronomy building. The university will continue to work towards finishing the remaining stalled projects as funds become available. For many years, the university has been seeking financial support for capital development but has not received sufficient allocation to adequately support the budget.*

Committee Observations

509. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.0 Audited statements for Financial Year 2023/24 (Qualified Opinion)

Report on Financial Statements

6.1.1 Material Uncertainty Related to Sustainability of Services

510. The statement financial position reflects current assets and current liabilities balances of Kshs.2,532,690,615 and Kshs. 9,994,817,018 respectively, resulting in a negative working capital of Kshs.7,462,126,403, Further, the University recorded a deficit of Kshs.18,729,138 for the year and accumulated deficit amount of Kshs.7,472,369,528. However, Management did not make any disclosure on the face of the financial statements or in the Notes to the financial statements of the material fact that the University may not continue to sustain its services in the foreseeable future and the mitigating measures put in place to reverse the above situation. The University is, therefore, technically insolvent and may face financial challenges in settling liabilities as and when they fall due.

511. In the circumstances, the continued survival and ability of the University to continue to sustain services is dependent on the continued Government support and its creditors.

Management Response

512. *The management disclosed the university inability to meet its short term financial obligations and its material uncertainty in relation to sustainability of services under management discussion and analysis section. This situation is as a result of effects of GOK under-funding and reduction in Appropriation in Aid over the years.*
513. *The financial challenges faced by the university have been caused by reduction in government capitation since 2016, drastic reduction in enrolment in self-sponsored programs which generated extra income to the university. Also, salary increments due to Collective Bargaining Agreement awards led to accruing deficits.*
514. *In order to sustain the university and ensure it continues delivering its mandate, the university management has instituted austerity measures through introduction of a number of cost reduction and expenditure management strategies as well as measures geared towards improved income generations.*
515. *From the financial year 2019/2020 to the present, the university has taken aggressive steps to deal with this situation by instituting strict austerity measures which have resulted in annual savings in excess of Kshs. 100 million.*
516. **Interventions to improve financial situation.**
- (i) *Reductions in the payroll cost, through the non-replacement of staff who leave and the non-renewal of contracts for non-core staff, resulting in reduction in staff numbers by 565 from 1,812 in June 2019 to 1,247 in February 2025. As explained above, some of the cost savings arising from this reduction in numbers have been reversed by the payroll increases due to inadequately funded CBAs.*
 - (ii) *Increased teaching load for academic staff from September 2021, which has saved the university a total of Kshs. 69 M annually in part time teaching costs.*
 - (iii) *Relinquishing rented spaces in Nakuru city resulting in savings of up to Kshs. 65.2 M per year in rent expenses.*
 - (iv) *The closure of Nairobi City Campus in September 2020 resulted in savings of up to Kshs. 76.7 M per year in rent expenses.*
 - (v) *Suspension of tuition waivers for staff and dependants, saved about Kshs. 14.3 M annually from 2020.*
 - (vi) *Revamping of income generating activities has helped to enhance revenue on average by up to Kshs. 8 M annually. Efforts continue to be made in enhancing revenue from revamped units and new revenue streams.*
 - (vii) *Implementation of reforms in operational and administrative structures aimed at making operations more efficient and cost-effective.*
517. *The above interventions have resulted in the reported deficit being on a reducing trend over the last three years as indicated in Table 3.*

Table 4: Trend of Operational Deficit over the last three years

<i>Financial Year</i>	<i>2023/2024</i>	<i>2022/2023</i>	<i>2021/2022</i>
<i>Deficit (in Kshs.)</i>	<i>(18,729,138)</i>	<i>(706,583,686)</i>	<i>(1,527,902,227)</i>

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

518. *The above trend is an indication that the university will become fully sustainable in the near future.*

519. *With the introduction of the New Funding Model (NFM) in the FY 2023/2024 it is expected that when all the students under old model are phased out, the university will begin posting positive returns.*

Committee Observations

520. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.2 Unsupported Rendering of Services-Tuition and Related Fees

521. The statement of financial performance reflects an amount of Kshs.1,554,367,401 in respect to tuition and related fees and as disclosed in Note 12 to the FSs. However, the University did not reconcile its enrolment data for the year with the billed data/income ledgers for the year. It was not possible to match the revenues with the number of students at any given time.
522. Further, review of one of the fees collection bank account statements revealed that receipts amounting to Kshs.8,359,950 from students and other sponsors had not been recorded to the respective student's accounts. This resulted in a negative cash balance for the account of Kshs.6,688,642 as reflected under Note 26c to the financial statements. Management has not demonstrated any efforts in identifying the students and clearing the unreceipted amount.
523. In the circumstances, the accuracy and completeness of the tuition fees amount of KShs.1,554,367,401 could not be confirmed.

Management Response

524. The university changed the student billing procedure from the previous system where the University used to bill all the admitted students as a group (class cohort) to ERP based self-billing where those students that report and pay fees do self-registering finance. Upon one registering finance the student is automatically billed as per the fee structure preset in the system. In this improved billing procedure, only the active students are billed hence no need to reconcile enrolled data with the income ledgers i.e., the enrolled students that do not pay fees and register for studies are never billed
525. The university has put in place a host-to-host system of receipting. Under this system, when the money is received at the bank, it reflects immediately in the students' accounts. This has significantly reduced the unidentified deposits; however, we are working on reducing the old unidentified deposits. During the FY 2023/2024, the government also on-boarded to E-citizen all the services offered by university. This has ensured the students pay fees through E-citizen Portal minimizing further the cases of unidentified deposits.
526. The university has made significant progress in identifying depositors for previously unidentified amounts from earlier periods, reducing the outstanding balance to Kshs.8,359,950 from Kshs.36,809,837 reported in the financial year 2018/19 as noted by the auditors.

Committee Observations

527. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.3 Receivable from Exchange Transactions

528. The statement of financial position and Note 27(a) to the FSs reflects receivables from exchange transactions balance of KShs.1,009,383,175 The following anomalies were noted: -
529. **Long Outstanding Imprest** - Included in the balance is long outstanding imprest balance of Kshs.99,481,752. Management has not demonstrated effort to recover this amount.
530. **Incomplete Imprests Register** - Review of the general and research imprests register maintained by Management revealed that critical details on the due date of surrender of imprests issued have been omitted from the register.

531. **Un-surrendered Imprest** - Included in the outstanding imprest amount is un-surrendered imprests amounting to Kshs.92,779,273. However, no recoveries have been made from the salaries of the defaulting officers contrary to Regulation 92 of the PFM (NG) Regulations, 2015 requires a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Further, no interest has been levied on the outstanding imprest pursuant to the provisions of the Regulations 92.
532. **Imprest Due for Former Staff** - Further review of the surrendered amounts showed that imprests worth Kshs.11,326,826 was due from staffs who are no longer working with the University with some dating far back to 1994. No action has been taken to write of these imprests whose recoverability is doubtful.
533. **Long Outstanding Student Debtors** - The statement of financial position reflects a net balance of Kshs.973,124,643 in respect of receivables from exchange transactions, as disclosed in Note 26b to the FSs which includes an amount of Kshs.886,782,528 relating to student debtors. Verification of the student debtor's ledger provided revealed that only debtors amounting to Kshs.65, 103,316 are current while the balance of Kshs.821 were old debtors. Further, out of these amounts, debtors amounting to Kshs.812,405,568 were indicated to be over five (5) years out of which debtors of Kshs.363,500,278 was due from students who have left the university. No explanation was provided for the failure to recover the old outstanding student debtors.
534. In the circumstances, the collectability of the long outstanding debtors balance of Kshs.821,679,210,95 as at 30 June, 2024 remain doubtful.

Management Response

535. **Long Outstanding Imprest**
- (i) *The university management has taken measures to address the issues of imprests held by inactive staff who are no longer in the university payroll through;*
- a) *Writing demand notice for outstanding imprests to the inactive staffs.*
 - b) *Appointment of debt committee to investigate and prepare a report on these imprests with a view of writing them off unrecoverable imprests if approved.*
 - c) *The university is in the process of seeking approvals for the write off of some of the imprests for deceased staff as recommended by internal audit and approved by the university council.*
- (ii) *The university continues to adhere to the Public Finance Management Regulations, 2015 and the Egerton University financial rules and regulations that guides on the management of imprests. During the year under review, the university recovered from staff salaries overdue imprest plus interest thereon. Further note 13b (10) of the financial statement indicate that the university earned Kshs. 1,053,648 from Interest charged on overdue imprests recovered.*
536. **Incomplete Imprests Register-** *We agree with the auditors' observation that the ERP was lacking expected surrender date in the imprest register. However, the university has introduced the feature for due date of surrender of imprests in the imprest register.*
537. **Un-surrendered Imprest-** *During the year under review, the university recovered overdue imprests with interests from salaries. Further note 13b (10) of the financial statement indicate that the university earned Kshs. 1,053,648 from Interest charged from imprest recovery.*
538. **Imprest Due for Former Staff** - *The university has taken measures to address the issues of imprests held by staff who are no longer in the university service through;*
- a) *Writing demand notice for outstanding imprests to the respective persons with known addresses.*

b) *Appointment of debt committee to investigate and prepare a report on these imprests with a view of making a definitive cause of action. The university is in the process of seeking approvals for the write off imprests for deceased staff as recommended by internal audit and approved by the university council.*

539. **Long Outstanding Student Debtors-** *A Debtors' Cleanup Committee was constituted to investigate and prepare a report on the Long Outstanding Student Debtors with a view of writing off unrecoverable debts after the necessary approvals. So far the committee has documented deceased, expelled, and discontinued students' debtors which has been verified by internal audit and presented to the Audit Committee of Council which has recommended a write off.*

Committee Observations

540. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.4 Unsupported Receivables-Others

541. The statement of financial position reflects a net balance of Kshs.973,124,643 in respect of receivables from exchange transactions, as disclosed in Note 26 (b) to the FSs which includes a total amount of Kshs.3,985,424 for other debtors whose supporting schedules were not provided for audit.

542. In the circumstances the accuracy, recoverability and completeness of receivables from exchange transactions balance of Kshs.973,124,643 could not be confirmed.

Management Response

543. The schedules supporting other receivables amounting to Kshs. 3,985,424.00; Deposits to EAO Cylinders, Deposits to KPL CO Ltd, Rent Deposits, Deposits to NAWASCO- NTCC and Rent Prepayments.

Committee Observations

544. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.5 Irregularities in Asset Management

545. Management did not undertake a comprehensive verification and condition assessment of all assets controlled or used by the entity during the financial year under review.

546. In the circumstances, the valuation and existence and completeness of property, plants and equipment balance of Kshs.4,907,108,380 could not be confirmed.

Management Response

547. The university has been doing verification of its assets internally and tagging them with an asset barcode, the exercise is still ongoing and once this exercise is completed the asset number will be linked to the fixed asset register as maintained in ERP.

548. The university has already commenced the revaluation of the University fixed assets; so far, the government valuers from the Ministry of Lands, Public Works, Housing, and Urban Development have already concluded revaluations of lands and buildings. These balances will be updated in our financial statements once adopted and approved by university council. Further a sample of asset tags on the university assets is also provided to the auditor for verification.

Committee Observations

549. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.6 Unsupported Payables and Unallocated Refundable Deposits

550. Note 32 to the FSs of financial position reflects trade and other payables balance of Kshs.8,752,682,482. The following anomalies were noted;

- (i) Prepayments amounting to Kshs.443,936,378 due to students included an amount of Kshs.207,684,419 which were outstanding for more than five (5) years with no clear way forward on how the long outstanding prepayments will be dealt with.
- (ii) An amount of Kshs.10,593,198 given by Constituency Development Funds was not allocated with no communication to the various Constituency Development Funds.
- (iii) An amount of Kshs.25,290, 176 from Higher Education Loans Board (HELB) was not allocated to specific students with no communication to HELB on the way forward on the funds.
- (iv) An amount of Kshs.25,427,539 from other sponsors was not allocated to beneficiary students.
- (v) An amount of Kshs.18,246,020 was a result of direct deposit that was not allocated to any student, and no evidence of follow-up has been done to ensure the cash is allocated.
- (vi) An amount of Kshs. 116,690,680 from caution money that has not been refunded to students no communication on the way forward.

551. In the circumstances, the accuracy and completeness of the payables balance of Kshs.8,752,682,482 could not be confirmed.

Management Response

552. *The following responses address the noted observations:*

- (i) *The prepayments totaling Ksh 443,936,378 relating to prepaid students' fee accounts are due to various reasons. Some students defer their studies and they continue getting funding, these funds get utilized once the students resume their studies. For those students that have completed studies and graduated the university usually refunds to the students and or their sponsors. The university Budget Implementation Committee which meeting on monthly basis allocates part of available funds for fee refunds.*
- (ii) *The unallocated CDF amount of Kshs 10,593,198 is due to some CDF funds being direct deposited into our bank account without providing beneficiary details. Some CDF funds submit lists with incorrect student numbers, and as a result, the funds remain unallocated until the students provide the correct registration numbers. This is usually allocated to the students' fee accounts once the supporting schedules are provided. For the misdirected funds, the university usually refunds to the CDFs as requested and guided.*
- (iii) *The amount of Kshs. 25,290,176 from HELB remains unallocated because the list of beneficiaries provided by HELB contained incorrect/errors in registration numbers, misdirected funds or lack of support schedules in the HELB portal. Once the schedules are provided or the errors in relation to registration numbers are corrected the funds are allocated. For misdirected funds and excess funding to students are usually refunded back to HELB. HELB conducts regular audits of transfers and allocations and excess funds refunded back to HELB.*
- (iv) *The Kshs 25,427,539 from other sponsors is unallocated because sponsors may make direct deposits into our bank account without providing beneficiary details. Additionally, some sponsors submit funds with incorrect beneficiary registration numbers. Once the support schedules are provided and where there was error in provided schedules are corrected these funds are allocated to their rightful beneficiaries.*
- (v) *The Kshs 18,246,020 from direct deposits to our collection's accounts but missing details of the students to enable allocation to their fee accounts. Once the students present proof of the deposits the funds are usually receipted to fee accounts.*
- (vi) *The caution money of Kshs 116,690,680 includes funds for all the continuing students who have not yet graduated. This amount is refundable once the students' graduates and clears from the university. The university makes refunds of caution money for those students who have been cleared. This is a continuous process which is also dependent on availability of funds.*

Committee Observations

553. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.7 Irregular Security Expenses

554. The statement of financial performance and as disclosed in Note 16 to the FSs reflects an expenditure amount of Kshs.482,781,193 in respect to administrative and central services expenses. Included in the balance are payments for security expenses totalling Kshs.36,570,351, out of which an amount of Kshs.4,355,770 was paid directly to police officers deployed to the institution. This was contrary to Section 104(3) of the National Police Service Act, 2011 which provides that monies paid for the private use of the police as specified in the Act shall be paid to The National Treasury.

555. In addition, proof of deployment letters, personal numbers, and approved daily rates or monthly rates payable to each officer were not provided for audit review.

556. In the circumstances, the regularity of security expenses amounting to Kshs.4,355,770 for the period could not be confirmed.

Management Response

557. The University requested to be provided with armed security services from the National Police Services Critical Infrastructure Protection Unit and the agreement supporting the payment of the to-up allowances to the police officers attached to the University.

558. To our understanding this is payment of lunch allowances and to cater for their housing and should not be subjected to Section 104(3) of the National Police Service Act, 2011.

559. The payment schedule attached to the payment vouchers has the rate payable to each police and their personal numbers. All the attached police letters are deployed through a deployment letter.

Committee Observations

560. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.8 Irregular Legal Charges

561. The statement of financial performance and as disclosed in Note 16 to the FSs reflects administration and central services expenses amounting to Kshs.482,781,193. The amount includes legal charges amount of Kshs.47,135,741.

562. Review of documentation of pending legal proceedings against the University that may, if successful, have significant financial impact on the operations of the University reveals that a number of external legal representatives other than the University's designated legal officer took part without prior approval of the Attorney General.

563. The external legal representatives were awarded contracts in November, 2022 and were paid a total of Kshs.5,515,607 in the year under review.

564. In addition, it was observed that legal services were procured using two-year framework contracts. Requests for quotations were not issued on need basis and award based on lowest evaluated bidder in line with charges as per advocates remuneration Act thus the procurement process was not competitive.

565. In the circumstances, the regularity of legal expenditure of Kshs.47,135,741 could not be confirmed.

Management Response

566. *The Law society of Kenya, Nairobi branch moved to court and filed a judicial Review application at the High court in Nairobi JR E010 OF 2020 –Attorney General (Respondent) challenging the Executive Order issued by the National Development Implementation Committee dated July 8, 2020 signed by Joseph Kinyua, then head of public service that directed that Government agencies: -*

- (i) Not to contract external counsel without the written approval of the A.G and
 - (ii) Terminate within twenty-one (21) days from the date hereof engagements with all external advocates who had been contracted without the express and prior grant of the concurrence of the A.G.
567. The court granted a stay on July 23, 2020 pending the hearing and determination of the application. The court made a ruling on the application on July 7, 2023 and issued orders of prohibition against the Attorney General from implementing the Executive Order and further issued orders of certiorari removing the Executive Order.
568. As such the university has not violated the law as cited above (Find the extract from PPAD, The Advocates Act.
569. The Public Procurement & Asset Disposal Act, 2015 section 5(1) provides that " This Act shall prevail in case of any inconsistency between the Act and any other legislation or government notices or circulars, in matters relating to procurement and asset disposal except in cases where procurement of professional services is governed by an Act of parliament applicable for such services "
570. The university procured for legal services in-accordance to The Public Procurement & Asset Disposal Act, 2015.
571. Further to the foregoing, the fees payable to advocates is governed by the Advocates (Remuneration) (Amendment) Order, 2014 of the Advocates Act. This Act prescribes the minimum fees payable to an Advocate. Section 4 thereof provides that "An advocate shall not agree or accept his remuneration at less than provided by the order" therefore the issue of quotation as suggested does not apply.

Committee Observations

572. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.9 Unaccounted for Fuel Amounting

573. Included in the statement of financial performance and as disclosed in Note 17 to the FSs is an amount of Kshs.88,132,002 as expenditure on repairs and maintenance out of which an amount of Kshs.23,211,255 was incurred towards motor vehicle fuel oil and lubricants.
574. However, a review of work tickets for the fifty-five (55) University vehicles that were operational during the year under review revealed that these vehicles drew 111,385 litres of fuel amounting to Kshs.20, 160,685 resulting to unexplained fuel expenditure amount of Kshs.3,050,570. In addition, invoices and surrenders by the transport officer are not supported by statements of fuel drawn, fuel register and the reconciliation thereof.
575. In the circumstances, the regularity and accuracy on fuel, oil and lubricants expenditure amount of Kshs.3,050,570 could not be confirmed.

Management Response

576. The reported expense for fuel and oils of Kshs. 23,211,255 includes the fuel costs of motor vehicles, oils and lubricants of motor vehicles as well as fuel and oils for generators and. Thus the amount of Kshs. 3,050,570 relates to Fuel drawn for University Generators & Lawnmowers Ksh 2,171,120.00 and Kshs 879,450.00 for oil and Lubricants used during the year as shown below: -

Fuel for University Generators & Lawnmowers	2,171,120.00
Lubricants and oils	<u>879,450.00</u>
Total	<u>3,050,570.00</u>

577. The university has a contract with Vivo Energy, where the fuel to be consumed is paid for in advance and the transport department allocates to various University vehicles. To draw the

fuel, the university vehicles have been issued with fuel cards, and the vehicles must be physically present for scanning, as the fuel card is swiped and fuel is drawn.

578. *The transport department has not been maintaining a comprehensive fuel register as observed by audit but has been depending on the Vivo Energy Fuel portal (<https://shellcard.vivoenergy.com/>) to monitor consumption and to access the fuel statements. A fleet management module has been introduced in the ERP system to monitor the fuel consumption going forward. A screen short sample of ViVo Energy portal.*

Committee Observations

579. The invoices and surrenders by the transport officer were not supported by fuel statements, fuel register and reconciliation records. This contravenes PFM Act, 2012 Section 68(1)(a) & (c) (*Requires proper record-keeping and safeguarding of public resources*) and Regulation 96 of PFM (NG) Regulations, 2015 (*Requires maintenance of accurate asset and resource utilization records*) which raises concerns on accuracy, completeness, and accountability of fuel expenditure.

Committee Recommendation

580. The Committee recommends:
- (i) Management to ensure that monthly reconciliations between ERP, Vivo Energy portal and physical fuel usage records are done.
 - (ii) Management should strengthen fuel usage internal controls by implementing approval workflows for fuel issuance and usage reporting and introduce random audits of fuel consumption and work tickets.
 - (iii) Management to ensure adherence to PFM Act Section 68 and Government Financial Regulations.
 - (iv) Hold responsible officers accountable for lapses in documentation.

6.1.10 Unsupported and Unremitted Staff Statutory Deductions

581. The statement of financial position reflects trade and other payables balance of Kshs.8,752,682,482 as disclosed in Note 32(a) to the FSs. Included in the balance is payroll payables comprising of salary arrears and deductions and pension contributions totalling Kshs.7,584,827,568, internal creditors amount of Kshs.26,360,706, withholding tax amount of KShs.15,687,420 and VAT of KShs.30,344,751 and HELB of Kshs.25,290,176 which had not been remitted to the statutory entities contrary to the Section 37(1) of the Income Tax Act which states that an employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed. The payroll payables were also not supported by way of detailed listing of the staff from whom the deductions were made and the respective amounts.

582. In the circumstances, the accuracy and completeness of the deductions amount of Kshs.8,752,682,482 could not be confirmed and Management was in breach of the law.

Management Response

583. The Management agrees with the auditors' observation on the unpaid salary arrears and statutory deductions of Kshs. 7,584,827,568 which has accumulated since the year 2017. During the year under review (FY 2023/2024), the university has been paying the staff salary at 100% and remitting all the statutory deductions as required.
584. The university management submitted all the pending bills up to June 2022 to the Pending Bills Verification Committee in January 2024 with a possibility of bail out by the government as listed below.

Table 5: Summary of Pending Bills forwarded to Pending Bills Committee.

S/No	Category	Type	Amounts
1	Human Resource	Payroll Payables	8,703,608,095
2	Suppliers	Supply Of Goods/Services	185,985,093
3	Parttime Lecturers	Part-time Teaching	390,958,233
4	Third Party Sponsors	Third Party And Other Liabilities	585,804,085
5	Contractors	NTCC Teaching Complex Consultancy Fees	110,105,947
	TOTAL		9,976,461,453

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

585. Support for these debts including the detailed listing of the staff from whom the deductions were made, and the respective amounts.

Committee Observations

586. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Other Matters

6.1.11 Unresolved Prior Year Matters

587. In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2024.

Management Response

588. The university is aware all the prior year unresolved issues and are documented in the Audited report for the year June 2024 in Appendix 1; Progress on follow up of auditor recommendation (See Page 52-57) extracted.

Committee Observations

589. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

Report on Lawfulness and Effectiveness in Use of Public Resources

6.1.12 Procurement and Budget Irregularity

590. **Expenses not in the Procurement Plan** - The procurement plan had no legal expenditure for the year under review. However, legal expenses were procured and paid for amounting to Kshs.47,135,741. Therefore, occasioning unplanned legal expense amount of Kshs.47,137,741 against the provisions of the law.

591. **Receipts of Good Before Local Purchase Order (LPO) Validity Period** - The statement of financial performance reflects administration and central services expense amount of Kshs.482,781,193 which includes advertising expense amount of Kshs.1,140,394. Review of documents in support of the expenses showed that Local Service Orders (LSOs) for provision of advertising services were prepared after the advertisements were done thus it is not clear how the procurements were initiated and funds committed.

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

Management Response

593. Expenses not in the Procurement Plan

- (i) Regarding the legal costs, the legal charges are determined by the Advocate Remuneration Order and can only be known once the legal proceedings are concluded. Therefore, these charges cannot be included in the procurement plan, as they cannot be predicted in advance. Such procurements are handled in accordance with Section 5 of the PPAD Act 2015, which states:
- (ii) Section 5. Conflicts with other Acts (1) This Act shall prevail in case of any inconsistency between this Act and any other legislation or government notices or circulars, in matters relating to procurement and asset disposal except in cases where procurement of professional services is governed by an Act of Parliament applicable for such services.

594. Receipts of Good Before Local Purchase Order (LPO) Validity Period

- (i) *The management responses are as summarized in Table 6 below: -*

Table 6: Responses in relation to Procurement procedure

<i>Payee/ details</i>	<i>Date of advert</i>	<i>Amount</i>	<i>Management response</i>
<i>T050-100-The Standard Group Limited</i>	<i>5/6/2023</i>	<i>197,200.00</i>	<ul style="list-style-type: none"> <i>i. That the procurement process was initiated via a purchase requisition dated 31st May, 2023.</i> <i>ii. Funds were committed prior to signing of space order and subsequent advertisement on 31st May 23.</i> <i>iii. That the standard practice in media industry is the use of space order as a contractual obligation.</i>
<i>N042-100-Nation Media Group Ltd</i>	<i>5/6/2023</i>	<i>170,617.44</i>	<ul style="list-style-type: none"> <i>i. That the procurement process was initiated via a purchase requisition dated 31st May, 2023.</i> <i>ii. Funds were committed prior to signing of space order and subsequent advertisement on 31st May 23.</i> <i>iii. That the standard practice in media industry is the use of space order as a contractual obligation.</i>
<i>N042-100-Nation Media Group Ltd</i>	<i>19/1/24</i>	<i>250,000.00</i>	<ul style="list-style-type: none"> <i>i. That the procurement process was initiated via privately initiated proposal from M/s Nation Media Group Ltd dated 11th Jan, 2024 ref “a special career feature”.</i> <i>ii. Funds were committed via purchase requisition on 16th Jan, 2024 (Requisition attached for ease of reference).</i> <i>iii. Funds were committed prior to signing of space order and subsequent advertisement on 19/1/24.</i> <i>iv. That the standard practice in media industry is the use of space order as a contractual obligation.</i>

Source: Egerton University, Responses OAG Audit Queries for FY 2018/19 to 2023/24

Committee Observations

595. The audit revealed that legal expenses amounting to Kshs.47,135,741 were incurred without inclusion in the approved procurement plan, and advertising services were procured before issuance of valid Local Service Orders (LSOs). These actions contravene Section 53(8) of the PPAD Act, 2015, which requires all procurement to be planned and based on approved budgets, and Section 45(3), which prohibits procurement before commitment of funds and issuance of valid purchase orders. Consequently, management was in breach of procurement laws governing transparency and accountability.

Committee Recommendation

596. The committee recommends that management develop and implement a robust procurement compliance framework that ensures all anticipated expenses, including legal costs, are

provisionally captured in the procurement plan and that no goods or services are received before issuance of valid LPOs/LSOs. This should include automated controls for requisition and commitment tracking, periodic compliance audits, and staff training on PPAD Act requirements, with full implementation by end of Q2 of the next FY to prevent recurrence and enhance adherence to procurement laws.

6.1.13 Staff in Long-Acting Positions

597. The Statement of financial performance reflects staff costs amount of Kshs.2,785,960,054. Note 14(a) and (b) to the FSs shows acting allowances amount of Kshs.601,603 and Kshs.1,768,913 paid in respect of Key Management personnel and other staff personnel remunerations respectively.
598. Examination of payroll records for Key Management personnel revealed that a total of four (4) officers had been paid acting allowances during the financial year. Review of their personal files revealed that they have been serving in acting capacity for more than six (6) months contrary to Section 34(3) of the Public Service Commission Act, 2017 that states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. There was no evidence provided to indicate that management had plans for recruitment for these positions or confirming officers who have been holding the positions.
599. In the circumstances, Management was in breach of the law.

Management Response

600. It is true that the staff in question had acted for more than six (6) months contrary to Section 34(3) of the Public Service Commission Act, 201 but the management can report that the process of recruitment was started and most of the positions filled.

Committee Observations

601. From the Management response and Auditor confirmation, the issue was addressed, therefore stands resolved.

6.1.14 Irregular Use of University Land by Undisclosed Private Investors

602. Review of 196th Special Council meeting minutes held on Thursday 29 February, 2024 on the Provision of Land to Enhance National Food Security, it was reported that communication was made to the Cabinet Secretary, Ministry of Education through a letter dated 29 February, 2024 informing him that the Council had resolved to avail 2,000 acres of land for maize cultivation to enhance National food security, to the mutual benefit of Egerton University and partners. Resolutions of the Council meeting required that a letter to the Cabinet Secretary, Ministry of Education giving further guidance on the 1,500 acres of the land set aside for National food safety be done. Secondly, it was resolved that CCTV footage of the visitors from a local Company who visited the University on 12 and 15 March, 2024 be retrieved.
603. However, as at the time of audit no correspondence from the Cabinet Secretary and or Ministry of Education giving guidance towards the controversial land was provided for audit verification. No evidence of committees having been set to facilitate management of the asset were provided as required by legislation. Moreover, all acquisitions or assignment of immovable property requires notification to the National or County Treasury in consultation with National Land Commission and or the Ministry responsible for Lands for approval, all which were not provided for audit verification. The exact acreage of land set aside whether 1,500 or 2,000 acres as per the Council minutes. Field verification of the land in question confirmed that the land was under wheat plantation as opposed to the initial plan of maize cultivation, and it was not clear who the beneficiary of the harvested crop would be. Lastly, no land lease agreements between the University and the private investor were provided for audit review.
604. In the circumstances, there is a risk of losing this parcel to illegal parties.

Management Response

605. The Vice Chancellor received a letter from the Cabinet Secretary, Ministry of Education Ref: MOE/SDHER/CON/2/17 dated February 16, 2024, communicating the Presidential Directive.
606. Subsequently, the Council convened a special meeting held on Wednesday 28, Feb 2024 wherein the directive was tabled and the university identified idle/un-utilised land for maize production and approved that a total of 550 acres for the National food security (410 acres at Mpeketoni and 140 acres at Ngongogeri farm) on terms to be negotiated and agreed upon for mutual benefit.
607. The Vice Chancellor communicated the resolution of the council to the Cabinet Secretary vide letter EU/VC/037 dated February 28, 2024.
608. The Council convened a further special meeting held on Thursday February 29, 2024 to reconsider its earlier approval following a clarification by the Cabinet secretary on the decision taken and consequently 2000 acres of land in Ngongogeri Farm was set aside for the National food security.
609. The University waited for further advice from the Ministry as regards the identification of the strategic partner but the same was not forthcoming. Surprisingly on March 12, 2024 a group comprised of three individuals came to the university though without any letter of introduction and alleged that they had been sent to till the land, on March 15, 2024 a company identified as Cropsoko through the Managing Director Mr. Bernard Odote came to the university but did not have any letter of introduction from the Ministry of Education but gave an unreferenced letter dated February 19, 2024 presenting an offer on the would-be partnership in commercial maize production.
610. The said three persons it was reported were seen at the said farm with several tractors working on the land. The locals got wind of what was happening and were enraged by the invasion, they chased the strangers out of the farm laying claim also on this land, notwithstanding the claim by other grabbers on the land using fake documents, there exist four cases that have been filed at the Nakuru Environment Land court touching on this land:
 - (i) Nakuru ELC No. E35 OF 2022- Kipruto Kemboi –vs- Egerton University
 - (ii) Nakuru HC ELC NO. 4 of 2023- EACC –vs- Kipruto Kemboi & Another
 - (iii) Nakuru ELC No. E056 OF 2022- Moses Owino Odhiambo-vs- Robert Gesimba
 - (iv) Nakuru ELC No. E046 of 2024 – Moses Owino –vs- County Government of Nakuru, Egerton University, Cropsoko & Timtech Engineering
611. The University made a report to the police on March 29, 2024 under OB No.21/30/03/24 which is still under investigation, the fraudsters have not been apprehended to date.
612. It became apparent that it would be difficult for the university to have further engagement with the alleged strategic partner without clear proposal from them. The university informed the Ministry of Education vide a letter dated April 26, 2024.
613. The university proceeded to seek consent to lease out public land from the National Land Commission. All this while the strategic partner had not planted any crop on the land set aside, though had partially prepared approximately 1000 acres of land.
614. A letter seeking for a list of prequalified suppliers was written to the Ministry of Agriculture through the Ministry of Education to enable the university use the said list for tendering purposes.
615. As the paperwork was being undertaken for the procurement process, we learnt that Cropsoko had returned to the farm, without letting the university know of their intentions and without any lease agreement allowing them possession of the land and continued with the land preparation and thereafter planted wheat despite verbal instructions to them by the farm management. The said company was informed to stop all activities until the procurement process is finalized.

616. The Ministry noted the progress the university had made towards the realization of the Presidential directive as per letter REF: MOE/SDER/CON/2/17.
617. The university commenced procurement process and the Tender was recommended for termination as per the attached report.
618. We learnt that agents of Cropsoko were seen at the farm on the night of August 28, 2024 from 7.30 pm tilling the remaining portion of the land that had not been cultivated. A report was made at Njoro Police station on Friday 30, 2024 under OB No. 50/30/08/2024 at 5 30 Hours and investigations are ongoing.
619. The university informed Cropsoko on November 18, 2024 that the wheat on the said land was ready for harvest and they responded accordingly, though a profit ratio sharing has not been agreed upon.
620. From the foregoing, the land was not leased out as alleged, the said company illegally invaded the university land without authority/lease.

Committee Observations

621. The audit established that Egerton University set aside 2,000 acres of land for national food security following a Presidential directive communicated by the Cabinet Secretary for Education. However, no formal guidance from the Ministry of Education, no lease agreements, and no approvals from the National Land Commission or National/County Treasury were provided for audit verification, contrary to **Article 62 of the Constitution of Kenya, 2010**, **Section 12 of the Land Act, 2012**, and **Regulation 139 of the PFM (NG) Regulations, 2015**, which require proper authorization, proper control and documentation for disposal or use of public land. Field verification revealed that the land was under wheat cultivation by a private company without any formal agreement, exposing the University to risks of illegal occupation and potential loss of public property.

Committee Recommendation

622. The committee recommends that management immediately regularize the use of the land by obtaining requisite approvals from the National Land Commission and the National Treasury and ensure that any engagement with private entities is formalized through legally binding lease agreements. Otherwise, the Accounting Officer should have full proper and full control of the land pursuant to **Regulation 139 of the PFM (NG) Regulations, 2015** by implementing strict access controls and monitoring mechanisms, including CCTV surveillance and periodic audits, to prevent unauthorized occupation. A comprehensive compliance report should be submitted to the Committee within 3 months upon the adoption of this report by the House.

6.1.15 Expired Contracts on Rent and Rates

623. The statement of Performance and Note 16 reflects administrative & central services amount of Kshs.482,781,193 which includes rent & rates amount of Kshs.16,595,034 as reflected in Note 16 to the FSs. A total amount of Kshs.4,814,000 was paid to landlord for rental services without a valid contract. The contract period was from 1 January, 2020 to 31 December, 2022. Further, rent amount of Kshs.1,560,000 was paid to another landlord without a valid contract. The Contract period was from to 1 March, 2023.
624. In the circumstances, the propriety of the rent expenditure amount of Kshs.6,374,000 could not be confirmed.

Management Response

625. The University entered into a lease agreement with Gekong'a Mongare for three (3) years commencing January 1, 2020. Prior to the expiry of the lease, the university issued the landlord with a non-renewal notice in October 2023 informing him that come December 2023 the university would have redeemed the building and handed over the same to the landlord. The

repairs were not concluded until January 2024. the building was handed over to the landlord on 25th January 2024.

626. The university entered into a lease agreement for five (5) years with Prof Wilson Kipng'eno on 1st April, 2018. The lease agreement expired on 31st March 2023. The university made some strategic decisions to reduce the leased spaces under the Nakuru City Campus due to financial constraints. The university did not renew the lease but opted to have a month-to-month tenancy with the landlord as the building in the CBD was being constructed.

Committee Observations

627. This The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.16 Stalled Projects

628. Reported in the previous year and current year report and included in the WIP balance of Kshs.947,929,452 reflected in the statement of financial position and Note 30(b) to the FSs are seven (7) stalled projects valued at Kshs.435,545,277 after the contractors pulled out due to non-payments.
629. In the circumstances, the propriety of the expenditure of Kshs.435,545,277 on stalled projects could not be confirmed.

Management Response

630. The university is having numerous stalled projects that is unable to complete due to lack of GOK funding for their completion over the years. However, every effort has been made to complete these projects within the available financial resources raised internally and has managed to complete faculty of education complex, Science Complex and student hostels with some works going on in Agronomy building. The university will continue to work towards finishing the remaining stalled projects as funds become available. For many years, the university has been seeking financial support for capital development but has not received sufficient allocation to adequately support the budget.

Committee Observations

631. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.17 Payroll Payables

632. Trade and other payables balance of Kshs.8,752,682,482 as reflected in Note 32(a) to the FSs includes Kshs.7,584,827,568 being payroll creditors or unpaid salaries. The University is paying 70% of the salaries leaving the balance of 30% unpaid which is accumulating liability. Management has not disclosed on how they will payout the remaining salaries.
633. In the circumstances, payment of the accumulating 30% of the unpaid employees' salaries is doubtful.

Management Response

634. The Management agrees with the auditors' observation on the payroll creditors and unpaid salary of Kshs. 7,584,827,568 which was accumulated from the year 2016 to December 2023.
635. Since January 2024 the university has been paying the staff at 100% and remitting all the statutory deductions a required.
636. The university has submitted all the pending bills up to June 2022 including the payroll creditors and unpaid salaries to the Pending Bills Verification Committee with a possibility of bail out by the government. All pending bills accrued after June 2022 will be settled by university when funds become available.

Committee Observations

637. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

6.1.18 Unauthorized Bank Overdraft

638. The statement of financial position under current liabilities reflects bank overdraft (negative cash balances) amount of Kshs.6,688,642. Review of the records provided revealed that the University's accounts were overdrawn to the tune of an amount of Kshs.6,688,642 without authority from the National Treasury contrary to the provisions of Regulation 82(7) of the PFM (NG) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by the National Treasury. Management indicated that the bank overdraft was approved by the University Council.

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

Management Response

640. The university runs an approved overdraft of Kshs. 100 million in its main paying bank account. This overdraft has already been approved by the National Treasury as provided for in Regulation 82(7) of the PFM (NG) of 2015. The reported bank overdraft of Ksh 6,688,642 is thus within the approved limit.

Committee Observations

641. The Committee observes that this matter has recurred from the previous financial year and accordingly reiterates the recommendations previously made on the matter.

SIGNED.....  DATE 25TH FEB 2026 HON.
WANAMI WAMBOKA, M.P.

CHAIRMAN, PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE AND
EDUCATION

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 FEB 2026	
DAY: THUR	
TABLED BY:	HON. WANAMI WAMBOKA, MP CHAIRPERSON
CLERK-AT THE-TABLE:	VIVIAN WAMBUI

THE NATIONAL ASSEMBLY

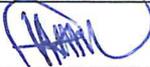
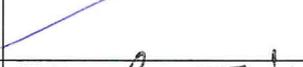
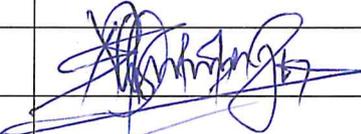
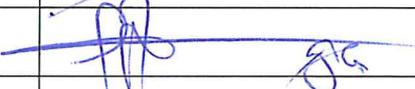
13TH PARLIAMENT – FIFTH SESSION (2026)

PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION

ADOPTION REGISTER

DATE

AGENDA: THE FIFTH REPORT OF THE PUBLIC INVESTMENT COMMITTEE ON GOVERNANCE & EDUCATION

	HON. MEMBER	SIGNATURE
1.	Hon. Wanami Wamboka, CBS, MP- Chairperson	
2.	Hon. Mark Muriithi Mwenje, CBS, MP	
3.	Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP	
4.	Hon. Moses Kirima Nguchine, MP	
5.	Hon. Wamacukuru Githua Kamau, CBS, MP	
6.	Hon. Alfa Ondieki Miruka, CBS, MP	
7.	Hon. Bonaya Mumina Gollo, MP	
8.	Hon. Chiforomodo Mangale Munga, MP	
9.	Hon. Daniel Karitho Kiili, M.P	
10.	Hon. Francis Sigei Kipyegon, EBS, MP	
11.	Hon. Joseph Tonui Kipkosgei, MP	
12.	Hon. Maurice Kakai, Bisau, MP	
13.	Hon. Rebecca Tonkei Noonaishi, MP	
14.	Hon. Thuddeus Nzambia Kithua, MP	
15.	Hon. Ong'ondo, Boyd Were, MP	

MINUTES OF THE 10TH SITTING OF THE PUBLIC INVESTMENTS COMMITTEE ON GOVERNANCE & EDUCATION HELD ON WEDNESDAY 25TH, FEBRUARY 2026 COMMITTEE ROOM 26 5TH FLOOR BUNGE TOWER AT 10:00 AM

PRESENT

1. **Hon. Wanami Wamboka, CBS, MP** - **Chairperson**
2. Hon. Alfa Ondieki Miruka, CBS, MP
3. Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP
4. Hon. Moses Kirima Nguchine, MP
5. Hon. Daniel Karitho Kiili, MP
6. Hon. Rebecca Tonkei Noonaishi, MP
7. Hon. Joseph Tonui Kipkosgei, MP
8. Hon. Chiforomodo Mangale Munga, MP
9. Hon. Thuddeus Nzambia Kithua, MP

APOLOGIES.

1. Hon. Mark Muriithi Mwenje, CBS, MP
2. Hon. (Dr.) Shadrack Mwiti Ithinji, OGW, MP
3. Hon. Bonaya Mumina Gollo, MP
4. Hon. Maurice Kakai Bisau, MP
5. Hon. Wamacukuru Githua Kamau, CBS, MP

IN ATTENDANCE

COMMITTEE SECRETARIAT

1. Ms. Ruth Mwihaki - Clerk Assistant I
2. Ms. Winny Awino - Clerk Assistant III
3. Mr. Enock Manwa - Clerk Assistant III
4. Ms. Noel Amutabi - Legal Counsel II
5. Mr. Stephen Otieno - Sergeant at Arms
6. Mr. Derrick Kathurima - Media Relations Officer
7. Mr. Peter Muthethia - Audio Recording Officer
8. Ms. Mary Kamande - Protocol

OFFICE OF THE AUDITOR GENERAL

1. Mr. Felix Itonge - Principal Auditor/Liaison Officer

MIN.NO.NA/DAAGPC/PIC-G&E/2026/034: PRELIMINARIES

The Chairperson called the meeting to order at 10:20am followed by a word of prayer from the Chairperson ; thereafter a round of introduction. The agenda was confirmed as listed hereunder on the proposal of Hon. Daniel Kari Kiili, MP and seconded by Hon. Thuddeus Nzambia Kithua, MP.

AGENDA:

1. Prayers;
2. Preliminaries/Introduction
 1. Adoption of the Agenda;
 2. Confirmation of minutes of previous sittings and matters Arising
3. **Consideration of the Committee report on the examination of the reports of the Auditor General on financial statements of state corporation on (Western, Rift Valley Regions, State Corpora and Egerton University Financial Year 2016/2017-2022/2023.)**

4. Any Other Business; and
5. Adjournment.

MIN.NO. NA/DAAGPC/PIC-G& E/2026/035: CONFIRMATION OF MINUTES

Confirmation of the Minutes of the previous meeting was deferred to the next sitting.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/036: CONSIDERATION OF THE FIFTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDIT GENERAL ON FINANCIAL STATEMENTS OF STA CORPORATION ON (WESTERN REGION)

The Committee considered and adopted the fifth Report, having been proposed by the Hon. (Amb.) Sigei Frai Kipyegon, EBS, MP and Seconded by Hon. Rebecca Tonkei Noonaiishi, MP

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2020/21 for the following agencies from Western Region.

1. Kibabii university
2. Kitale National Polytechnic
3. Musakasa Technical Training Institute
4. Wanga Technical and Vocational College
5. St. Augustine Teachers Training College
6. Alupe University College
7. Bunyala Technical and Vocational College
8. Sirisia Technical and Vocational College
9. Sigalagala National Polytechnic
10. St. Paul's Kibabii Diploma Teachers' Training College
11. Kiminini Technical and Vocational College
12. Chanzeywe Technical and Vocational College
13. Webuye West Technical and Vocational College
14. Ebukanga Technical and Vocational College
15. Sabatia Technical and Vocational College
16. Okame Technical and Vocational College
17. Bungoma North Technical and Vocational College
18. Bungoma National Polytechnic
19. Kisiwa Technical Training Institute
20. Bumbe Technical Training Institute
21. Navakholo Technical and Vocational College
22. Mumias West Technical and Vocational College
23. Matili Technical Training Institute
24. Shamberere Technical Training Institute
25. Masinde Muliro University of Science and Technology
26. Bushiangala Technical Training Institute

The Committee made the following recommendations on the report;

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

1. Understaffing in the TVET institutions

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

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

2. Poor accounting standards and the general incapacity of some accounting officers

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

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

3. Late submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The

Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

Moreover, the Committee exercised a degree of leniency towards certain institutions by affording them an opportunity to submit supporting documentation that remained in their possession but had not been presented to the Office of the Auditor General, even after the conclusion of the audit cycle. However, these institutions failed to comply with the committee's directive.

4. Unsecured/ untitled land holdings

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

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

The Government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

5. Failure to adhere to gender, ethnicity and regional balance

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

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap, 7N. in two (2) years Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/037: CONSIDERATION OF THE SEVENTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION IN NAIROBI REGION FOR THE FINANCIAL YEARS 2018/19, 2019/20, & 2020/21.

The Committee considered and adopted the Tenth Report, having been proposed by the Hon. Thuddeus Nzambia Kithua, MP and Seconded by Hon. Joseph Tonui Kipkosgei, MP. The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for the following agencies Kenya

1. Law Reforms Commission (KLRC)
2. Kenya Copyright Board
3. National Cohesion and Integration Commission (NCIC)
4. Business Registration Service
5. Nairobi Centre For International Arbitration (NCIA)
6. Kenya Accreditation Service
7. National Transport and Safety Authority

The Committee made the following recommendations on the Report.

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

1. Understaffing

The Committee observed that most institutions across the country are significantly understaffed. For instance, the Kenya Law Reform Commission has only 65 employees against an approved staff establishment of 240, resulting in a shortfall of 175 personnel. Similarly, the Kenya Copyright Board operates with 45 employees out of an approved 119, leaving a gap of 74 staff members. These staffing deficits severely hinder the institutions' capacity to deliver services effectively.

To address the significant staffing gaps undermining institutional performance, the government should implement a phased and well-coordinated strategy that prioritizes accelerated recruitment for critical roles, establishes medium-term workforce plans aligned with evolving mandates, and provides adequate budgetary allocations to support sustained hiring and retention. This should be complemented by targeted capacity-building initiatives, including training and digital modernization, to enhance operational efficiency, alongside the creation of a clear monitoring framework to track progress and ensure accountability in restoring institutions to optimal staffing levels.

2. Failure to adhere to gender, ethnicity and regional balance

The Committee observed that some institutions exhibited a skewed ethnic diversity within their staff complement, particularly at the senior management level. These reports raise concerns regarding the underrepresentation of certain ethnic groups, potential discriminatory practices in recruitment and promotion, and broader issues related to fairness in employment processes. Notably, the composition of the Kenya Copyright Board reflects gender imbalance, with only one female among its nine members.

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap, 7N. Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in

these state-owned enterprises, to confirm incremental address of the matter. The Committee further recommends that institutions take deliberate and proactive measures to include Persons with Disabilities (PWDs) in their workforce, in accordance with the provisions of the Constitution.

3. Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

4. Unsecured/untitled land holdings

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

The Committee recommends that the Accounting Officers for the affected institutions make deliberate efforts to obtain ownership documents for untitled land holdings in consultation with the relevant Parent Ministry and Ministry of Lands and ensure that the land holding which they have ownership documents are secured.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/038: CONSIDERATION OF THE NINTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF STATE CORPORATION ON RIFTVALLEY REGION FOR THE FINANCIAL YEARS 2018/19, 2019/20, 2020/21, 2021/2022, 2022/2023 &2023/2024.

The Committee considered and adopted the seventh Report, having been proposed by the Hon. Chiforomodo Mangale Munga, MP and Seconded by Hon. Daniel Karitho Kiili, MP

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for the following agencies from Rift Valley regionAldai Technical Training Institute

1. Turbo Technical and Vocational College
2. Baringo National Polytechnic
3. Narok West Technical Training Institute
4. Naivasha Technical and Vocational College
5. University of Eldoret
6. Ol'lessos Technical Training Institute.
7. Kajiado West Technical and Vocational College

8. Rift Valley Institute of Science and Technology
9. Eldoret National Polytechnic
10. Bomet University College
11. University of Kabianga
12. Moiben Technical and Vocational College
13. Bureti National Polytechnic Rift Valley Technical Training Institute.

The Committee made the following recommendations on the Report.

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

1. Understaffing in the TVET institutions

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

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

2. Poor accounting standards and the general incapacity of some accounting officers

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

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

3. Late submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act, Cap. 412A by providing supporting documentation on time. The

Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

- ii. Moreover, the Committee exercised a degree of leniency towards certain institutions by affording them an opportunity to submit supporting documentation that remained in their possession but had not been presented to the Office of the Auditor General, even after the conclusion of the audit cycle. However, these institutions failed to comply with the committee's directive.

4. Unsecured/ untitled land holdings

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

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

The government should allocate resources for surveying, demarcation, and documentation of institutional land to prevent disputes and legal challenges. Institutions facing land disputes should seek legal intervention promptly and engage with relevant authorities to resolve ownership issues efficiently.

5. Failure to adhere to gender, ethnicity and regional balance

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

The Committee recommends that all public agencies must comply with the constitutional provision on equity and inclusiveness buttressed by the National Cohesion and Integration Act, Cap. 7N. Further, The National Cohesion and Integration Commission together with the Inspectorate of State Corporations conduct bi-annual examination of ethnic composition in these state-owned enterprises, to confirm incremental address of the matter.

MIN.NO. NA/DAAGPC/PIC-G&E/2026/039: CONSIDERATION OF THE TENTH REPORT ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS OF EGERTON UNIVERSITY FOR THE FINANCIAL YEARS 2018/19, 2019/20, 2020/21, 2021/2022, 2022/2023 &2023/2024.

The Committee considered and adopted the ninth Report, having been proposed by the Hon. Joseph Tonui Kipkosgei, MP and Seconded by the Hon. (Amb.) Sigei Francis Kipyegon, EBS, MP.

The secretariat took the Committee through a draft report on the examination by the Auditor General for FY 2018/2019-2020/21 for Egerton University. In its examination of the financial and audit reports of Egerton University covering the six (6) financial years up to and including the 2023/2024 Financial Year, the Committee reviewed a total of ninety-five (95) audit queries raised by the Auditor General. Of these, seventeen (17) had been fully resolved, forty-eight (48) were recurring, and thirty (30) remained unresolved. The Committee did not issue additional recommendations with respect to matters already resolved. For the recurring issues, the Committee reiterates the observations and recommendations made in previous financial years. Regarding the unresolved queries, the Committee has set out detailed observations and recommendations within the relevant sections of this report.

In relation to the cross-cutting and persistent audit concerns identified, the Committee highlights the following six (6) issues on which it makes general observations and recommendations:

a) Going Concern and Financial Deficits

In all the 6 FYs covered, the University has faced persistent going concern challenges and recurring deficits. These trends raise significant doubts about the entity's ability to sustain operations and meet its obligations. The lack of disclosure of material uncertainty related to going concern further compounds the risk, as stakeholders may not have a clear picture of the financial health of the institution.

The Committee recommends that Management should, within 60 days, prepare and submit a formal Going-Concern Recovery Plan that includes specific cost-cutting measures, revenue enhancement strategies, debt restructuring actions, and clear implementation timelines. In addition, Management must consistently disclose any material going concern uncertainties in the notes to the financial statements in compliance with IPSAS 1. To ensure sustainability, the Ministry of Education and National Treasury should jointly conduct a financial sustainability assessment and provide policy guidance to support the University's recovery.

b) Receivables Management

Receivables, including student debtors and imprests, have remained unresolved across multiple FYs. This persistent issue points to weaknesses in debt recovery processes and ineffective cash flow management. Failure to invoice students promptly after registration and inadequate follow-up mechanisms exacerbate the problem, leading to liquidity constraints and increased financial strain.

The Committee recommends that Egerton University Management should implement stringent credit control policies and leveraging technology for automated billing and collection. Moreover, the Council should approve the write-off of irrecoverable student debts.

c) Late Submission of supporting documentation

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

The Committee recommends that Accounting Officers henceforth comply with Section 68(2)(k) of the PFM Act 2012, by providing supporting documentation on time. The Committee in subsequent audits will prescribe punitive measures to those accounting officers who fail to adhere to the requirements of the law in this regard.

d) Unremitted Statutory Deductions and Payables

The recurring failure to remit statutory deductions and settle payables, observed in multiple FYs exposes the University to significant compliance risks and potential penalties. Non-remittance of statutory obligations not only attracts legal consequences but also damages the entity's reputation and credibility with regulators and employees. This issue reflects poor financial discipline and inadequate internal controls, necessitating immediate corrective measures to ensure timely compliance and avoid litigation.

The Committee recommends that: -

- (i) The University to develop and implement a phased plan to remit all outstanding statutory deductions to relevant authorities.
- (ii) Ensure all future deductions are remitted promptly and supported by detailed schedules and adhere strictly to Income Tax Act Section 37(1) and other statutory requirements.
- (iii) Hold responsible officers accountable for non-compliance.

e) Stalled Projects

Stalled projects have been a recurring concern from across the 6 FYs, signaling inefficiencies in project planning, execution, and monitoring. These delays not only result in cost overruns but also hinder the achievement of strategic objectives and service delivery. The lack of timely decision-making and inadequate resource allocation appear to be key contributing factors.

The Committee recommends that: -

- (i) Special audit taking stock of their values, completion status and the legality to be done for the stalled projects in three months upon adoption of this report by the House and submit a report to the committee.
- (ii) Management to develop and implement a comprehensive project completion strategy that prioritizes stalled projects based on criticality and available resources. This can be achieved through a formal request of supplementary capital development funding from the National Treasury through the Ministry of Education, accompanied by audit findings and a prioritized project completion plan.
- (iii) Clear with the pending projects before undertaking any new project.

f) Irregular Use of University Land by Undisclosed Private Investors

The Committee notes that the process surrounding the allocation and use of a substantial portion of Egerton University land (2,000 acres) for purposes related to the Presidential Directive on National Food Security was marked by significant procedural, governance, and

compliance shortcomings that disadvantaged the University and exposed it to a risk of losing their land to illegal parties.

The Committee recommends that management immediately regularize the use of the land by obtaining requisite approvals from the National Land Commission and the National Treasury and ensure that any engagement with private entities is formalized through legally binding lease agreements. Otherwise, the Accounting Officer should have full proper and full control of the land pursuant to Regulation 139 of the PFM (NG) Regulations, 2015 by implementing strict access controls and monitoring mechanisms, including CCTV surveillance and periodic audits, to prevent unauthorized occupation. A comprehensive compliance report should be submitted to the Committee within 3 months upon the adoption of this report by the House.

MIN.NO. NA/DAAGPC/PIC-G & E/2026/040: ADJOURNMENT/ DATE OF NEXT MEETING

There being no other business the meeting was adjourned at 13:25hrs. The next meeting will be on notice.

SIGNED:  DATE: 25TH FEB 2026

Hon. Wanami Wamboka, CBS. MP (CHAIRPERSON)

